

ts Gets Hotter

ENGLAND BLASTS INTO ROUND 2



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TODAY: MONEY Contradictory Canada, Page 16

Holbrooke Fails In Kosovo Talks; Attack Expected

Belgrade Said to Deploy Troops For Broad Offensive to Retake Regions Controlled by Rebels

By Chris Hedges New York Times Service

PRISTINA, Serbia — After the failure of the Richard Holbrooke, the U.S. troubleshooter, to arrange a cease-fire agreement with separatist ethnic Albanians, Belgrade has ordered its military and special police to carry out wide attacks in Kosovo to recapture pockets held by the rebels and reopen roads that have been blocked for weeks. Western diplomats and military officials said Friday.

Mr. Holbrooke, who ended his five-day Kosovo mission on Friday after talks with the Yugoslav president, Slobodan Milosevic, and with ethnic Albanian leaders, had hoped to secure an agreement from the Kosovo Liberation Army rebels to take down barricades along main routes in the province, especially the roadblock set up for the last seven weeks at Lapushnik on the road from Pristina to Pec.

Mr. Holbrooke had hoped to use the reopening of the roads to stage a large-scale attack against the insurgents by the 50,000 special police and military deployed in the Serbian province.

The rebels, who lack a central command structure and say they will fight until they have achieved their goal of an independent state, rebuffed Mr. Holbrooke's entreaties.

There are signs that an attack is imminent, perhaps hours or days away. Belgrade, which is spending about \$2 million a day to keep its forces deployed in Kosovo, apparently believes that another strike against the rebels, who have taken control of as much as 40 percent of the province since March, will be the final blow.

This would be the third, and largest offensive against the rebels since March. Each assault has only worsened the violence and pushed the province, where ethnic Albanians outnumber Serbs nine to one, into open rebellion against Serbian rule.

Serbian fighter-bombers, in a display of firepower, roared in pairs down the runway of the Pristina airport.

See KOSOVO, Page 4

9 North Koreans Dead in Submarine

By Don Kirk International Herald Tribune

SEOUL — The bodies of nine North Korean sailors and agents were discovered Friday inside a captured North Korean midget submarine, shot and killed in what South Korean officials called an apparent murder-suicide.

Officials said there were signs of a struggle inside the submarine, as four North Korean agents apparently shot themselves to death after first killing five sailors.

South Korean authorities also said there were indications that the vessel, which was captured after becoming entangled in a fisherman's net off the South Korean coast Monday, had been on a spy mission, leaving them divided about how much of an issue to make of this latest North Korean incursion.

Several hours after a South Korean navy underwater demolition team gingerly bored into the submarine and found the bodies, the Defense Ministry demanded that North Korea admit "this act of aggression," explain its purpose and guarantee that it not be repeated.

At the same time, however, the South Korean unification minister, Kang In Duk, took pains, at a breakfast of the Federation of Korean Industries — made up of leaders of Korean chaebol, or conglomerates — to distinguish between "economic and political differences."

"Exchange and cooperation with the North should not be affected by this abrupt incident," he said.

While Mr. Kang saw no change in President Kim Dae Jung's "sunshine" policy of economic opening to the North, the Defense Ministry called the submarine's incursion a violation of the

See KOREA, Page 4

Algerians Protest Slaying of Popular Singer



Residents of Tizi Ouzou taking to the streets Friday after the murder of the singer Loumes Matoub. Although Islamic militants were blamed, the marchers denounced the president. Page 2.

World Cup, Act 2: All or Nothing Remaining 16 Teams Shift Gears for the Knockout Phase

By Rob Hughes International Herald Tribune



ENGLISH TRIUMPH — Tony Adams, left, congratulating his teammate David Beckham, who had just scored in England's 2-0 victory over Colombia on Friday. Page 21.

PARIS — Relentlessly, this huge event that is the World Cup moves on. The cast of nations is down to 16 from 32 and in Marseille and Paris on Saturday, in Lens and Saint Denis on Sunday, the second phase gets under way with a change of pace and emphasis. The league-standings first round, where caution or complacency could disguise the true strength of teams jockeying for points, is over. Now each match has the true essence of knockout cup soccer, the all-or-nothing reality of deciding who is the best on earth.

The games now gear up a notch. In Marseille at 4:30 P.M. on Saturday, Italy cannot afford a recurrence of its early neurosis — its fear of weaker opponents — if it is to get the better of Norway.

As evening turns to night on Saturday, Brazil encounters Chile in an intriguing Latin duel at the Parc des Princes in Paris.

This could be pistols at 12 paces because the Chilean strength is undoubtedly its striking duo of the quick, sharp (El Matador) Marcelo Salas and the tall, supportive Ivan Zamorano. No team has yet resisted this partnership, and Brazil's defense is vulnerable.

The Norwegians, meanwhile, proved against Brazil that they were mentally ready, athletically sturdy and not respectful of reputations.

They defend with claustrophobic meanness, they break with tenacity and their indomitable lone forward, Tore Andre Flo, simply hangs on to run down

See SOCCER, Page 20

Dissident Incident Raises Tension for Clinton in Beijing

But on Yuan, Sigh of Relief

Notion Fading Of New China

By Mark Landler New York Times Service

By John M. Broder New York Times Service

BEIJING — On the day before President Bill Clinton was scheduled to get down to business with President Jiang Zemin, China gave the United States its strongest assurances yet that it does not plan to devalue its currency.

Playing economic advance man for Mr. Clinton, Secretary of the Treasury Robert Rubin held a daylong series of meetings with senior Chinese officials here, in which he said "there were unambiguous statements of intent to maintain" the exchange rate of the Chinese currency, the yuan.

Persuading China to maintain a stable currency has become a top priority of the Clinton administration, which fears that a devaluation by Beijing could spark another wave of copycat devaluations across Asia. Mr. Rubin praised China Friday for being an "island of stability" in a region buffeted by economic turmoil.

Although the meetings Friday were held in Zhong Nan Hai, the walled compound in the heart of Beijing that is the inner sanctum of the Chinese government, the focus of the talks was hundreds of miles to the east, in Japan.

Asia's latest economic relapse was caused by a sharp decline in the yen, and Mr. Rubin used the meetings here to keep up the pressure on Japan to mend its fractured economy. He said that the Chinese officials told him they were very concerned about the economic turmoil in Japan, in large part because the weak yen was having an "adverse impact on the region."

"I said that we, too, were deeply concerned about the economic condition in Japan," said Mr. Rubin in a briefing after he met Prime Minister Zhu Rongji, who is leading China's ambitious economic reforms.

The contrast between a stable, reform-minded China and a shaky, equivocating Japan has become a favorite theme of policymakers and currency traders in recent months. While Mr. Rubin was careful not to criticize Japan, he drew some pointed distinctions between Beijing and Tokyo.

Of the Chinese decision not to devalue, Mr. Rubin said, "They were very prescient and they are getting and deserve a great deal of respect in the world

BEIJING — President Bill Clinton arrived here Friday for a summit meeting that has already been marred by the detention and harassment of several Chinese dissidents. The dispute forced the president and his senior aides into a defensive crouch and threatened to undermine the central goal of the meeting, a portrait of a "new China" of greater economic and personal freedom.

The president was to be formally received Saturday by President Jiang Zemin in a military ceremony on Tiananmen Square, the vast tombstone of a failed revolution.

Mr. Clinton and Mr. Jiang were to inspect army troops and review an honor guard on ground that human rights advocates around the world consider stained with the blood of martyrs.

Mr. Clinton has defended his appearance before the Great Hall of the People at the edge of Tiananmen Square — site of the Chinese Army's massacre of hundreds of student-led protesters in June 1989 — as the expected behavior of a state visitor to China.

Beijing hopes to consign to history the events of the spring of 1989, which culminated in the nighttime shooting of demonstrators and the indelible image of a lone protester diverting a column of tanks.

But Mr. Clinton, assailed in the United States for lending his prestige to Chinese leaders by attending the ceremony, hopes that his presence here will force the world to remember that bloody night nine years ago. He was expected to speak of the lessons of Tiananmen at a speech scheduled for Monday at Beijing University.

On Friday, the White House sharply criticized Beijing for the harassment of dissidents on the first day of Mr. Clinton's state visit, calling the roundup "thoroughly unacceptable." But the president did not take steps to impose any punishment or withhold any favors as a result of the arrests.

China demonstrated little concern about the appearance of the detentions, denying that anyone had been arrested and offering U.S. diplomats no explanation for its actions.

Beijing is also showing little flexibility regarding the major items on the

See YUAN, Page 5

See CLINTON, Page 5

The Republican Spin on Clinton's Trip

• The president's trip to China is being used by the Republicans to play on American anxiety over a major Communist power and to portray Mr. Clinton as weak in foreign policy.

• China's senior religious official has rejected proposals, to be advanced by Mr. Clinton, that China engage in discussions with the Dalai Lama over greater autonomy for Tibet. Page 5.

Split in Unionist Vote May Weaken Northern Ireland Assembly

By Warren Hoge New York Times Service

BELFAST — Parties committed to the Northern Ireland peace settlement emerged winners on Friday in the election for the new assembly, but candidates opposed to the accord won enough seats to call into question the value of that victory.

The results showed that the province's two biggest parties, the Ulster Unionist Party of David Trimble and the Social Democratic and

Labour Party of John Hume, would get the chance to fulfill their historic pledge to work together to end the sectarian conflict that has cost more than 3,200 lives since 1969.

But the counting that began Friday of the ballots from Thursday's election was also exposing deep divisions in Mr. Trimble's support as many party members deserted him to cast their votes for other Unionist parties wary of the Roman Catholic and Protestant cooperation called for in the peace settlement. The split in the vote came only among Protestants, as Cath-

olics virtually unanimously voted for candidates supporting the peace plan.

The mixed results, reflecting fiercely held political and community convictions, placed in doubt the prospects for a smooth running legislature, the centerpiece of the new constitutional arrangements aimed at bringing stability to this long tumultuous province.

The accord called for the creation of the assembly to return local government to Northern Ireland after 27 years of direct rule from London, and it structured the body under a strict

power-sharing formula. The settlement, agreed to on April 10 after 26 months of negotiations, also laid out other provisions to try to bring Northern Ireland's long-warring Protestant and Catholic communities together. In referendums May 22 in Ireland and Northern Ireland, it was endorsed by an overwhelming number of Catholics but only a slight majority of Protestants.

Mr. Trimble in recent weeks had sought to broaden Protestant support, abruptly trans-

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Sicilians Wary of Mafia as Army Leaves

By Alessandra Stanley New York Times Service

PALERMO, Sicily — It was supposed to be a day of triumph and liberation, as thousands of Italian soldiers began pulling out of Sicily after a six-

year military operation to restore order in a land virtually ruled by the Mafia. But as regular police officers in blue uniforms took up the vacated posts on Thursday in front of the Palace of Justice, prosecutors' homes and other buildings at high risk of attack, many Sicilians seemed mournful.

"For those of us who have lived in the emergency is not over," complained Rita Borsellino, a pharmacist whose brother, a prominent anti-Mafia prosecutor, was killed by a car bomb in 1992. "The soldiers had a deterrent effect, and they symbolized the active presence of the state. The war is still going on, so why stop now?"

The killing of Paolo Borsellino and his partner, Giovanni Falcone, by the Mafia traumatized Italian society and galvanized it to wage an all-out war against organized crime. It was those slayings that prompted the government to send troops to Sicily.

In a blow to the Sicilian Mafia, po-

lice arrested scores of suspected mobsters on Friday, including the sister of a top boss. The Associated Press reported from Palermo.]

The Italian government decided to withdraw its troops for reasons both practical and symbolic: Many of the most dangerous Mafia bosses have been captured, Palermo is relatively peaceful, and the cost of maintaining a military presence here is high.

In addition, Italy, which recently was admitted to the European monetary union, wants to shed the image of a nation that needs a peacekeeping force occupying its own territory.

But many prosecutors insist that the war against the Sicilian Mafia is by no means won. They argue that for other practical and symbolic reasons, it would be better for the army to stay.

"The question is whether a retreat of the army at this time is opportune," said

See ITALY, Page 4



FREE IN ARKANSAS — Susan McDougal, former Whitewater associate of the Clintons, smiling at a press conference after her unexpected release from prison. Page 3.

AGENDA

Employers Liable in Sexual Harassment

The U.S. Supreme Court ruled Friday that employers are responsible for incidents of touching, offensive remarks and other forms of sexual harassment in the workplace.

The justices also said that a worker who spurns a boss's advances, and does not lose his or her job, can still collect financial damages.

The 7-to-2 ruling raised the stakes for employers trying to deal with a wide range of sexual conduct and abuse in the workplace. Page 4.

Graf Loses to Zvereva In Wimbledon Play

Natasha Zvereva beat Steffi Graf in straight sets Friday in the third round at Wimbledon. It was Zvereva's first victory over Graf in 18 matches. Page 19.

The Dollar		
New York	Friday 4 P.M.	previous close
DM	1.8097	1.7985
Yen	142.25	142.2
FF	6.068	6.028
Pound	1.6616	1.6718
Dollars per pound		
The Dow		
	Friday close	percent change
+ 8.96	8,944.54	+ 0.10%
S&P 500		
+ 3.83	1,133.18	+ 0.34%
Nasdaq		
+ 6.28	1,888.53	+ 0.34%
The Intermarket		

Newsstand Prices

Bahrain	1,000 BD	Malta	55 c
Cyprus	C £ 1.00	Nigeria	12500 Naira
Denmark	14.00 DKr	Oman	1,250 QR
Finland	12.00 FM	Qatar	10.00 QR
Gibraltar	£ 0.85	Rep. Ireland	IR £ 1.00
Great Britain	£ 0.90	Saudi Arabia	10 SR
Egypt	£ 5.50	S. Africa	R12 + VAT
Jordan	1,250 JD	U.A.E.	10.00 Dh
Kenya	K. Sh. 180	U.S. Mkt.	£ 1.20
Kuwait	700 Fils	Zimbabwe	Zn\$40.00

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# Catholics and Lutherans Settle a Historic Doctrinal Dispute

By Gustav Niebuhr  
New York Times Service

In a decision intended to resolve an issue that split the Western Christian world nearly 500 years ago, the Vatican has said it will sign a declaration with most of the world's Lutherans affirming that Roman Catholics and Lutherans share a basic understanding of how human beings receive God's forgiveness and salvation.

The document, approved last week by the Lutheran World Federation, declares that Catholics and Lutherans have found an essential common ground on the issue of "justification," the action by which a human being is made worthy of salvation.

The Reformation leader Martin Luther held that justification comes solely through faith in God, while the Catholic church taught that a person's good

works play a role. Now, through the declaration, Catholics and Lutherans agree that divine forgiveness and salvation come only through God's grace and that good works flow from that.

The consensus, while acknowledging that serious differences remain between the two churches on the issue, represents a new appreciation for basic elements in each other's teachings along with recognition of beliefs they share. The declaration is a result of years of biblical scholarship, inter-church dialogue and a renunciation of age-old stereotypes.

Catholics and Lutherans also remain divided by major issues of faith, such as the infallibility of the Pope and the ordination of women.

Although the debate on justification might seem remote to people outside these churches, it has historically been heated and regarded by Lutherans and other Protestants as crucial to their religious identity. While Catholics and Lutherans have been increasingly working together in the United States and in Germany in recent years, the legacy of the Reformation has kept tensions alive between the two groups in some other parts of the world.

In accepting the document, called "The Joint Declaration on the Doctrine of Justification," Catholics and Lutherans agreed that the condemnations they hurled at each other in the 16th century, as Europe slid into a devastating period of religious warfare, no longer apply.

Announcing the Vatican position in Rome on Thursday, Cardinal Edward Cassidy, president of the Pontifical Council for Promoting Christian Unity, said, "I wish to stress that the consensus reached on the doctrine of justification, despite its limitations, virtually resolves a long disputed question at the close of the 20th century, on the eve of the new

millennium." But both Cardinal Cassidy and the Vatican, in its statement, said that areas of considerable disagreement required further discussion.

The cardinal also said that the declaration "has limits," in that it does not address major differences between Catholics and Lutherans on such issues as authority in the church.

But the cardinal said a signing would take place in the fall.

The declaration is a carefully nuanced document based on 30 years of discussions between Catholic and Lutheran theologians.

"Together we confess," the declaration states, "by grace alone," human beings are "accepted by God and receive the Holy Spirit," which renews their hearts and calls them to good works. It goes on to acknowledge specific differences in Catholic and Lutheran understandings of certain aspects of

the issue, including a disagreement on whether a person remains a sinner after receiving forgiveness.

The declaration's acceptance by both the Vatican and the Lutheran federation represents a triumph for supporters of the ecumenical movement.

It comes at a time of growing awareness among Christians in the United States and Europe of a need to pull together in the face of challenges from the growth of faiths like Islam and Buddhism.

In practical terms, Catholic and Lutheran officials said the declaration announced justification would ease tensions between the two groups in such regions as Latin America and Eastern Europe while encouraging broader cooperation, such as in shared social service programs for the poor, in nations like the United States, where relations between the churches are good.

MOSCOW — President Boris Yeltsin will summon his Security Council next week to review long-term Russian policy in the area of nuclear deterrence and the development of strategic nuclear weapons, his spokesman said Friday.

Sergei Yastrebinsky, quoted by Interfax press agency, did not make clear what would be discussed. The meeting comes amid international efforts to diffuse a crisis sparked last month when India and Pakistan conducted underground nuclear tests.

Another issue is the START-2 arms reduction treaty between Russia and the United States. The U.S. Senate has ratified the 1993 pact, which would cut U.S. and Russian deployed nuclear warheads from about 6,000 each to no more than 3,500 each, but the Russian Parliament has not.

(Reuters)

## BRIEFLY

### Yeltsin to Review Nuclear Policy

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(Reuters)

### Norway Planning Holocaust Payment

OSLO — Norway on Friday became the first nation occupied by the Nazis in World War II to launch a plan to pay compensation to Jews for the Holocaust.

The cabinet approved a draft law setting aside a total of 450 million kroner (\$58 million) for Jewish survivors of Nazi death camps, their descendants and Jewish organizations.

"Norway as a nation should assume collective responsibility for what happened in our country during World War II," Justice Minister Aud-Inge Aure said in a statement.

(Reuters)

### Spanish Basques March Against ETA

BILBAO, Spain — Thousands of people took to the streets across the Basque Country on Friday to stage silent protests against the guerrilla group ETA after the assassination of a town councillor.

In dozens of towns and cities, Basques stopped work for 10 minutes at noon to mourn the death of Manuel Zamarrero, 42, and to vent their anger against the separatist rebels blamed for killing him in a bomb attack Thursday.

Vowing that ETA "will pay for this," Prime Minister Jose Maria Aznar delayed his departure on a Middle East tour to fly to the Basque region to pay his respects to Mr. Zamarrero's family.

(Reuters)

### French Rule Out Terrorism in Blast

PARIS — The French authorities have ruled out any terrorist motive in Thursday's apartment explosion in eastern Paris, which killed two people, officials said.

The officials, who requested anonymity, said the explosion, which killed a 45-year-old Yugoslav woman and her boyfriend, was almost certainly the result of a non-political crime.

The two died after the woman opened a package that contained a powerful explosive device, police said. The device contained scrap metal and ball bearings.

(AP)

## Judge Frees Whitewater Associate of Clintons

By Francis X. Clines  
New York Times Service

WASHINGTON — Susan McDougal, the embattled Whitewater figure, was freed from prison Friday after a judge ruled that she had not committed any crime. The judge, Judge George H. Lewis Jr. of U.S. District Court in Little Rock, Arkansas, ruled that McDougal's arrest was illegal. McDougal had been arrested in 1994 after a federal grand jury indicted her and her husband, James, on charges of conspiracy to defraud the federal government. The judge ruled that the indictment was invalid because it was based on hearsay and speculation. McDougal was released from prison on Friday. She is currently on bond and is expected to return to her home in Arkansas.

## Slain Singer Is Mourned By Algerians

By Craig R. Whitney  
New York Times Service

PARIS — News of the death of the Algerian singer Louane Matoub, apparently at the hands of Islamic fundamentalists, brought expressions of grief Friday from the large Algerian community and tribute from French leaders in France, where it was front-page news.

Mr. Matoub, 42, who was kidnapped by Muslim militants in Algeria four years ago and had lived mostly in France since, was killed in an ambush east of Algiers on Thursday.

"He was a man who was the voice of Algeria, loud and clear," said President Jacques Chirac of France during a visit to Africa.

Demonstrators marched through the streets of Tizi Ouzou, near his home town in the Kabylie region of Algeria, on Friday and chanted "Zeroual, assassin," blaming the Algerian president, Liamine Zeroual, for Mr. Matoub's death, Reuters reported.

Riot police dispersed the marchers, who threw stones at them.

His death came shortly before the entry into force of a law making Arabic the sole official language in Algeria, a step that Mr. Matoub and other Berbers resisted as a blow to other native languages.

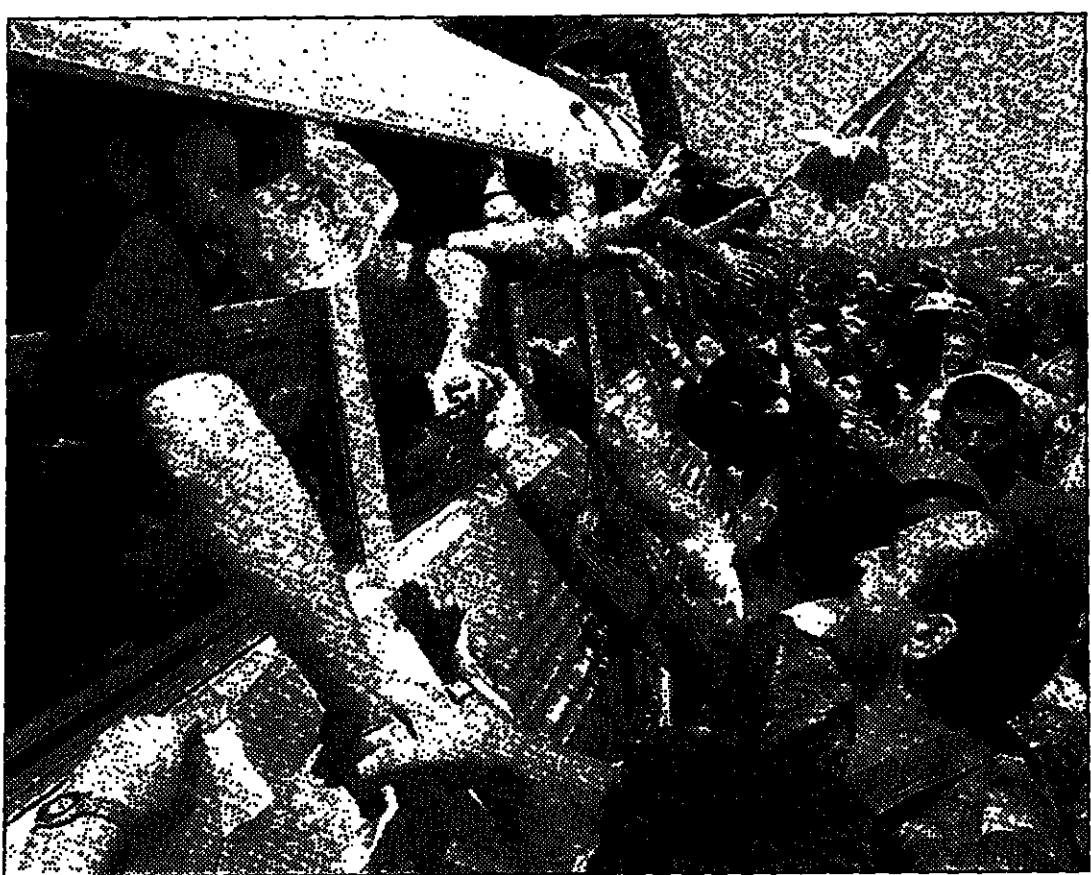
Hundreds of thousands of the Berber people, a minority in a country of 30 million, regarded him as an enemy of both the Islamic fundamentalists and the authorities.

The civil war in Algeria, which has claimed 70,000 lives, began after the authorities in Algiers canceled elections in 1992 that radical Islamic parties were poised to win.

In his songs, in Arabic and in the Kabyle language of the Berbers, Mr. Matoub expressed bitterness at the killing and love for the land where he was born, in direct and sometimes earthy language that Islamic purists regarded as decadent.

When the militants kidnapped him in 1994 and held him for two weeks, more than 100,000 Algerians demonstrated to demand his freedom.

He came to France three months later and gave two sold-out concerts in Paris before leaving again to sing in Kabylie, but had lived most of the time since in France, returning only a few weeks ago.



Relatives cheering the prisoners released Friday by Israel as they arrived by bus in Lebanon.

## 60 Lebanese Released In Israeli Exchange

MAJDELYOUN, Lebanon — Israel freed 60 Lebanese prisoners on Friday to complete an exchange for the remains of at least one Israeli soldier who died in a failed commando raid 10 months ago.

Amid tears and hugging, the Lebanese men were reunited with friends and families, then whisked off to a dinner given by Prime Minister Rafik Hariri at his residence in Majdeleyoun, near the port city of Sidon.

"We tell the families of the martyrs and prisoners that the government will make every possible effort to free all the prisoners, liberate all the Lebanese soil and return the bodies of all martyrs," Mr. Hariri said at a ceremony broadcast on national television.

The release of the prisoners completed a deal that began Thursday when Israel returned the bodies of 40 slain guerrillas for the remains of Israeli soldiers torn apart by explosives during a failed commando raid last September.

In Jerusalem on Friday, Defense Minister Yitzhak Mordechai urged Lebanon to negotiate an agreement on an Israeli troop withdrawal from southern Lebanon.

"I very much hope that the Lebanese will move forward with the initiative in order to change the situation in Lebanon," Mr. Mordechai said, adding that he hoped the Syrians would give their blessings to such negotiations.

But Lebanon has informed Israel that it will not conduct any negotiations until Israel has reached agreement with the Palestinians on the scope of a West Bank troop withdrawal, the Ha'aretz daily paper quoted diplomatic sources as having said. The paper said that Foreign Minister Fares Boutros of Lebanon asked a third country to convey the message to Israel.

(Reuters, AP)

## U.S. 'Behavior' Is Not Conducive to Talks, Iran Says

By Elaine Sciolino  
New York Times Service

TEHRAN — Iran has reiterated its rejection of a political dialogue with the United States, as a deputy foreign minister praised the Clinton administration for softening its hostile tone but sharply criticized Washington for not abandoning its punitive policies against his country.

In an interview, the minister, Mohammad Javad Zarif, offered the most detailed official Iranian reaction to a speech last week by Secretary of State Madeleine Albright calling on the Iranian government to help formulate a "road map" to normal relations.

"We see a move at least in rhetoric on the part of the United States to better understand the realities of the Islamic Republic as well as of our region," Mr. Zarif said Thursday. But, he added, "Where it matters, where it will be taken seriously by Iran — regarding the policies of the United States — we see the behavior of the United States — we see the

remnants of a Cold War mentality."

"Among other issues, Mr. Zarif cited the continuation of a U.S. trade embargo against Iran and U.S. opposition to the building of a pipeline through Iran to transport oil from the Caspian Sea as proof of U.S. ill will toward his country."

Mr. Zarif, who studied at Columbia University and San Francisco State University and holds a doctorate in international relations from the University of Denver, served as a diplomat at the United Nations for nine years, and is known for his conciliatory tone, even when it comes to discussing the United States.

His remarks amplified those made by Foreign Minister Kamal Kharazi in Spain last week in which he said that if the United States is serious in improving relations with Iran, it must prove it with "facts."

Neither President Mohammed Khatami nor Iran's spiritual leader, Ayatollah Sayed Ali Khamenei, has reacted publicly to Mr. Albright's speech, which was the result of long deliberations within the Clinton administration.

In a speech Tuesday, Ali Akbar Nateq-Nouri, speaker of the Parliament, did not refer to Mrs. Albright's remarks, but he said, "It is a mistake to imagine that America has given up mischief."

Iran is embroiled in a high-stakes political battle between supporters of Mr. Khatami, who has pushed for the creation of a civil society and the rule of law, and conservative supporters of Ayatollah Khamenei, who are determined to uphold revolutionary values. Improving relations with the United States is not high on the agenda.

In the interview, Mr. Zarif also faulted Mrs. Albright for repeating charges against Iran that it sponsors terrorism and is developing a dangerous program of nuclear, chemical and biological weapons and ballistic missiles. "She made a big mistake, big mistake," Mr. Zarif said.

On the U.S. call for an official dialogue between the two countries, he added, "We don't believe that the behavior of the United States shows yet that it is ready for a dialogue based on mutual respect."

Mr. Zarif acknowledged that even

Iran's modest opening of the country to American scholars and political analysts had been criticized in news reports and in Parliament. "To put it mildly, there is a diversity of views regarding that exchange," he said.

A senior conservative cleric said Friday that talks between Iran and the United States were possible provided Washington respected the principles of the Islamic Revolution. Reuters reported. The cleric, Ayatollah Ahmad Jannati, used the weekly Friday prayers at Tehran University to suggest grounds for compromise may exist.

"In the future, either we step back from our stance, or they abandon their anti-Islamic attitude, leave us alone and let us preserve our religion," said Ayatollah Jannati, secretary of the authoritative Guardian Council and a leading conservative. "In that case we could talk to each other. Otherwise there could be no possibility of compromise."

"The problem between America and us is only Islam," he said. "We do not have any other problem."

## TRAVEL UPDATE

### EU to Punish Yugoslavia

BRUSSELS (Reuters) — European Union foreign ministers are expected to agree on Monday to ban flights between Yugoslavia and the EU by Yugoslav carriers, punishing Belgrade for its crackdown in Kosovo, officials said.

It was not clear when the ban would be carried out or whether it would quickly halt all air travel between Yugoslavia and the EU.

If flights to and from Europe by the national carrier JAT were banned, Belgrade could re-

taliat by barring foreign carriers. Travelers would then be forced to drive to Hungary, Croatia or Bulgaria for the nearest international flights, as they did from 1992 to 1995 when a United Nations embargo prompted by the war in Bosnia closed international air traffic to and from Yugoslavia.

US Airways said that its low-fare MetroJet service should be in 12 American cities by Sept. 9, with the addition of flights in Boston, Hartford and New Orleans.

(Reuters)

BAA, Britain's largest airport operator, said it won a 15-year contract to run retail shops at two terminals in New Airport and would invest \$7 million to expand the number of shops by 20 percent. The Newark contract is BAA's fifth in the United States.

(Bloomberg)

The number of foreign tourists visiting Vietnam fell 15 percent in the first six months of 1998, largely because of the regional financial crisis, the Vietnam Tourism Administration said. Tourists are turning to other countries with weaker currencies to make their money go further, it added.

(AP)

## WEATHER

Europe				North America				Asia			
City	High	Low	Wind	City	High	Low	Wind	City	High	Low	Wind
Amsterdam	20	12	W	Albuquerque	75	55	W	Beijing	28	18	W
Antwerp	18	10	W	Anchorage	65	45	W	Bombay	32	22	W
Athens	25	15	W	Aspen	60	40	W	Bangkok	30	20	W
Birmingham	18	10	W	Boston	70	50	W	Beijing	28	18	W
Bombay	32	22	W	Buffalo	65	45	W	Bombay	32	22	W
Buenos Aires	25	15	W	Chicago	70	50	W	Bombay	32	22	W
Buenos Aires	25	15	W	Dallas	75	55	W	Bombay	32	22	W
Buenos Aires	25	15	W	Denver	70	50	W	Bombay	32	22	W
Buenos Aires	25	15	W	Detroit	65	45	W	Bombay	32	22	W
Buenos Aires	25	15	W	Houston	75	55	W	Bombay	32	22	W
Buenos Aires	25	15	W	Los Angeles	75	55	W	Bombay	32	22	W
Buenos Aires	25	15	W	London	18	10	W	Bombay	32	22	W
Buenos Aires	25	15	W	Madrid	25	15	W	Bombay	32	22	W
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Buenos Aires	25	15	W	Washington	70	50	W	Bombay	32	22	W
Buenos Aires	25	15	W	Wichita	70	50	W	Bombay	32	22	W
Buenos Aires	25	15	W	Yonkers	65	45	W	Bombay	32	22	W

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## Erk Mortensen

PARIS — Erk Mortensen, a leading figure in the French far-right movement, was arrested on Friday for allegedly plotting to assassinate President Jacques Chirac.

Mortensen, 42, was arrested by police in his home in Paris. He is accused of leading a group of extremists who planned to attack Chirac during his visit to France.

The group, known as "The French Front," was formed in 1994 and has been active in various far-right activities. Mortensen is a member of the group and has been involved in several violent incidents.

He is currently being held in custody and is facing charges of conspiracy to commit murder. His arrest is part of a larger investigation into far-right extremism in France.

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## BRIEFLY

## Yeltsin to Review Nuclear Policy

MOSCOW — President Boris Yeltsin will summon his Security Council next week to review long-term Russian policy in the area of nuclear deterrence and the development of strategic nuclear weapons, his spokesman said Friday.

Yeltsin's spokesman, Vladimir Yermakov, said the president would discuss the issue with the Security Council members, including the United States, Britain, France, Germany, India, Pakistan, China, Russia and the Soviet Union. The president also will discuss the issue with the heads of the Russian military, foreign and defense ministries.

Yermakov said the president would also discuss the issue with the heads of the Russian military, foreign and defense ministries.

## Norway Planning Holocaust Paymen

NORWAY — The Norwegian government is planning to pay compensation to the survivors of the Holocaust, a spokesman said Friday.

The spokesman said the government would pay compensation to the survivors of the Holocaust, who were persecuted during the Second World War.

## Spanish Basques March Against EU

BARCELONA — Spanish Basques are marching against the European Union, a spokesman said Friday.

The spokesman said the Basques are protesting against the EU's policies on the Basque region.

## Rule Out Terrorism in Blast

BARCELONA — Spanish authorities are ruling out terrorism in a blast that killed a man and injured several others, a spokesman said Friday.

The spokesman said the blast was caused by a gas leak.

## Judge Frees Whitewater Associate Of Clintons'

By Francis X. Clines  
New York Times Service

WASHINGTON — Susan McDougal, the embattled Whitewater figure who suffered incarceration rather than answer grand jury questions about Bill and Hillary Clinton, has been unexpectedly freed from prison.

Judge George Howard Jr. of U.S. District Court in Little Rock, Arkansas, freed Mrs. McDougal on Thursday after she insisted that her 21 months of imprisonment had severely aggravated a spinal condition. Saying he was motivated by "compassion and mercy," Judge Howard reduced her sentence in a "Whitewater fraud case to time served."

"I'm still so stunned," Mrs. McDougal said when she emerged from the courthouse 90 minutes later, offering a dazed smile as relatives wept.

"I just don't know what to say," she exulted, still in her two-piece bright-orange prison uniform. "I still don't believe it."

A spokesman for Kenneth Starr, the Whitewater independent counsel, noted that criminal contempt charges were still pending against Mrs. McDougal. "The judge made a compassionate decision based on medical testimony to release Mrs. McDougal, and we respect the judge's decision," said the spokesman, Charles Bakaly.

The ruling eliminated the remainder of a two-year prison sentence she began serving in March for her conviction in the first Whitewater trial on charges of mail fraud, misapplication of funds and making false statements. Mrs. McDougal must still serve 90 days of home detention, and still faces charges in Little Rock and California.

But taking into account the 18 months of jail time she had served for resisting the grand jury investigation of the Clintons, the judge ruled that she be freed from prison for the fraud conviction.

The judge gave Mrs. McDougal 10 days to report to her parents' home in Camden, Arkansas, where she will be under electronic surveillance.

"I am a much better person today than the one you sentenced," Mrs. McDougal told the judge. "I promise you, you won't be sorry."

President Clinton, visiting China, was asked about Mrs. McDougal's release. "I'm concerned about her health, and I hope she gets better now," he said. "I hope the judge's decision puts her in a position where she can get over her pain and her difficulty."

Mrs. McDougal's troubles with the courts and with Mr. Starr were hardly ended by the ruling, because Mrs. McDougal was re-indicted by Mr. Starr last month for once more refusing to answer grand jury questions about the Clintons and Whitewater. That trial, on charges of criminal contempt and obstruction of justice, is set for Sept. 28 in Little Rock. Judge Howard is also scheduled to preside over that case.

Beyond that, Mrs. McDougal faces an unrelated criminal trial on July 13 in California on charges that she embezzled \$150,000 from the conductor Zubin Mehta when she worked as his bookkeeper from 1989 to 1992.

Through her travail, Mrs. McDougal has maintained a combative resistance to Mr. Starr and his attempts to implicate the Clintons criminally in the complex of real estate and political events known as Whitewater.



Monica Lewinsky arriving by taxi at the Washington office of her lawyers, who are trying to arrange an immunity deal for her to talk.

## Starr Calls Linda Tripp To Testify on Secret Tapes Key Figure in Intern Case to Appear Tuesday

By Peter Baker  
Washington Post Service

WASHINGTON — After five months in the shadows of the Monica Lewinsky investigation, Linda Tripp will finally tell a grand jury about tapes she recorded secretly while Ms. Lewinsky confided to her about an alleged affair with President Bill Clinton.

Kenneth Starr, the investigating independent counsel, instructed Ms. Tripp on Thursday to appear before the grand jury next Tuesday to testify, for the first time, in the investigation she sparked when she approached Mr. Starr's office in January and turned over more than 20 hours of recordings.

Legal experts expected Ms. Tripp to be the last witness before the grand jury, which is investigating whether Mr. Clinton lied under oath or encouraged others to do so.

An attorney close to the case suggested that the new subpoena increased the pressure on Ms. Lewinsky to reach an agreement with Mr. Starr to testify. Another lawyer close to the investigation, however, recalled that Mr. Starr signaled long ago that he would summon Ms. Tripp in mid-June.

Mr. Starr and the new legal team of Ms. Lewinsky are engaged in negotiations to secure her cooperation with prosecutors in exchange for protection from prosecution.

Her lawyers have renewed an offer to have her testify that she had a sexual relationship with Mr. Clinton, which both have denied in sworn statements. But she will not testify, the lawyers added, that the president encouraged her to lie under oath about the affair.

Mr. Starr has not been satisfied with the offer but the talks are continuing.

Ms. Tripp, a former White House aide who befriended Ms. Lewinsky when both worked at the Pentagon, has

been one of the most intriguing figures in the whole saga, largely keeping to herself and for a time staying in secure quarters provided by the FBI.

She has been reviled by Clinton backers, Lewinsky attorneys and others for betraying a friend's trust.

Ms. Tripp's lawyers, Anthony Zaccagnini and Joe Murtha, confirmed that she had been subpoenaed to testify.

Mr. Zaccagnini said he viewed the development as a signal that the independent counsel's office was moving forward. "It is clear that Linda is now the star witness and that her value to the independent counsel's office cannot be understated," he said.

Word of Ms. Tripp's impending testimony eclipsed the final appearance of another witness, whose testimony was so hotly disputed that Mr. Starr and Mr. Clinton went to court to fight over it.

Sidney Blumenthal, a senior White House media strategist ordered by a judge to talk despite President Clinton's claim of executive privilege, testified for the third time Thursday. He was told that it was probably his final appearance.

"The president shared his account of the Lewinsky matter with me," Mr. Blumenthal told reporters on the courthouse steps later. "He did so unguardedly and freely, under the assumption that we were speaking in complete privacy. What I told the grand jury under oath supports completely what the president has told the American people and is contrary to any charge that the president has done anything wrong."

Mr. Blumenthal, described as a confidant of Hillary Rodham Clinton, said he had also spoken in confidence with her and that she had told him: "The accusations will collapse eventually of their own insubstantiality."

## A 'Runt Star' and Its Riveting Sphere Planet 15 Light-Years Away May Be One of Billions in Galaxy

By Kathy Sawyer  
Washington Post Service

WASHINGTON — Astronomers have detected a planet around a star just 15 light-years from the sun, the closest world ever found outside our solar system.

At least 1.8 times as massive as Jupiter, the planet orbits a stellar weakling — a dim, low-mass star called Gliese 876 — every 61 days.

Astronomers have detected a dozen or so planets beyond the family of the sun in recent years, but this one has riveted their interest because of the nature of its parent star. Gliese 876 is a red dwarf, the first such dim, low-mass star ever found to have a planet.

With just a third the mass of the sun, the star is only about one-fortieth as luminous as the sun and therefore hard to study. But red dwarfs are believed to be the most common stars in the universe, and they "live" virtually forever.

The new findings mean that "planets may be a dime a dozen," said Geoffrey Marcy of San Francisco State University and the University of California at Berkeley.

He and colleagues were first to report detection of the new planet this week. Their findings were confirmed by a team in Switzerland and France.

"The Milky Way galaxy contains 100 billion stars. Most are these red dwarfs, these little runts of stars," Mr. Marcy said.

Now that scientists know even such tiny stars can form planets, he added, they can plausibly hypothesize that there are "at least billions of planets just within our galaxy alone."

Though the newly discovered planet is assumed to be a Jupiter-like ball of gas with no solid surface, not particularly hospitable to life, scientists estimated that the planet's interior could be warm enough to harbor a key requirement of

life: liquid water in the form of a mist. Located in the direction of the constellation Aquarius, Gliese 876 is about twice as close as the next nearest star found to have a planet, or about 87 trillion miles away.

"This is an incredibly important finding," said Stephen Maran, a spokesman for the American Astronomical Society. "This has to mean there are planets all over the Milky Way. Who's to say we aren't floating in a sea of planets?"

And, he added, because red dwarfs never change, "you have forever for life to evolve."

## Bacteria Flourish in Antarctic Ice Lakes

The Associated Press

WASHINGTON — In a discovery that suggests life is possible on Mars or on a frozen moon of Jupiter, researchers say they have found colonies of bacteria thriving inside blocks of ice in lakes near the South Pole.

Researchers found the teeming colonies of microbes while drilling through the perpetual ice that fills shallow lakes in Antarctica. They were living in temperatures that seldom rose above zero degrees centigrade (32 degrees Fahrenheit).

"This is more proof that life is a lot more hardy than we once thought," said Brian Lanoie of Oregon State University in Cor-

vallis, co-author of a report published Friday in the journal Science. While taking ice cores from six lakes, the researchers found a layer of dust and grit six to eight feet (1.8 to 2.4 meters) below the surface.

Stephen Giovannoli of Oregon State, also a co-author, said the particles had been blown onto the ice in the Antarctic summer, when the sun always shines. They absorbed solar heat and slowly sank into the ice. Pockets of water formed around them and it is there that the bacteria live.

They are frozen more than half the year and are active only while the sun shines, making food through photosynthesis.

## POLITICAL NOTES

## Republicans Back Arts Funds

WASHINGTON — Some House Republican moderates, unhappy with their party's unfolding spending policies, have snubbed their leadership by siding with Democrats on the House Appropriations Committee to fully fund the embattled National Endowment for the Arts for another year.

The endowment, the main dispenser of federal grants to artists and cultural groups across the United States, has been a key target of conservatives since the Republicans took control of Congress in 1995. It has survived largely because of support in the Senate.

Critics have complained about the regional distribution of the funding and strongly objected to such endowment-funded projects as the exhibits of Robert Mapplethorpe's homoerotic photographs and Andres Serrano's photograph of a crucifix immersed in the artist's urine.

The 31 to 27 vote caught Republican leaders by surprise and virtually ensured that the endowment would be kept afloat for another year.

"Some signals got crossed," said a sheepish House majority whip, Tom DeLay of Texas, a member of the committee. Five moderate Republicans joined 26 Democrats to approve an amendment offered by David R. Obey, Democrat of Wisconsin, to fund the agency for another year at \$98 million as part of a \$13.4 billion fiscal 1999 Interior appropriations bill. The overall bill was approved by voice vote.

Mr. Obey warned that President Clinton would veto the bill unless the endowment funding was included. (WP)

## Gingrich Backs 'Fast-Track'

WASHINGTON — The House speaker, Newt Gingrich, has promised that Congress will try again in September to give President Clinton expanded "fast-track" trade negotiating authority — an issue that sharply divides Democrats.

"The only country economically strong enough to keep the world economy moving forward is the United States," Mr. Gingrich said. "The trick is for us to send a signal that we want a stronger and more vibrant world market, and that means a strong vote on fast-track."

Mr. Gingrich's stand Thursday won instant praise from the U.S. Chamber of Commerce and allowed farm-state lawmakers to go home for the Fourth of July recess with promises of action to lift farm exports.

"Fast-track" legislation would grant the president the right to negotiate trade agreements that Congress could approve or reject but could not amend.

Such legislation was pulled from the House floor in November because it failed to garner enough votes. The opposition was led by the House minority leader, Dick Gephardt, Democrat of Missouri, who carried the majority of House Democrats with him.

Granting such presidential powers over trading agreements is considered even more difficult to pass in an election year, and the White House already indicated it would not seek another vote on the issue before the mid-term elections. (NYT)

## Quote/Unquote

Herman Badillo, the Puerto Rico native who became one of New York State's best-known Democrats, switched to the Republican Party on Thursday, and said he wanted fellow Hispanics across the country to do the same. At a news conference, he said: "I have felt increasingly that the Democratic Party takes large portions of its constituency for granted, especially the Hispanic community." (AP)

## Erik Mortensen, Fashion Designer, Dies

The Associated Press

PARIS — Erik Mortensen, 72, a leading fashion designer who worked for the houses of Pierre Balmain and Jean-Louis Scherrer, died Tuesday, the Scherrer house said Friday.

He had been suffering from skin cancer for many years.

Born in Denmark, Mr. Mortensen was best known for his elegant, classic approach to clothes with a feminine accent. He liked working with opulent fabrics such as silk tulle and ruffles, and believed that clothes should be lady-like.

In a statement, the Scherrer house praised Mr. Mortensen for his "great talent and moral integrity."

Mr. Mortensen trained under Denmark's most prominent fashion designer, Holger Blum.

In 1948, he moved to Paris where, at age 22, he was hired by Mr. Balmain as an assistant. He was chief designer at Balmain from 1982 to 1990, when he left to work for the rival Scherrer house.

He was awarded the prestigious Golden Thimble in 1983, 1987 and 1994.

In the mid-1980s, Mr. Mortensen created new uniforms for the French police, replacing the famed kepi hats with a flat cap inspired by the American police.

Ivo John Lederer, 68, Eastern Europe Scholar

NEW YORK (NYT) — Ivo John Lederer, 68, a refugee in the only group of European Jews given special passage to the United States by President Franklin D. Roosevelt during World War

II, died June 18 in New York of pancreatic cancer.

Mr. Lederer was a professor of contemporary Russian and Eastern European history at Princeton, Yale and Stanford between 1954 and 1977, when he began a second career bringing government and business leaders together to discuss the interaction of foreign and business policies.

Francois Lehideux, 95, Vichy Cabinet Member

PARIS (Reuters) — Francois Lehideux, 95, the last surviving member of the cabinet of the French wartime collaborationist leader Philippe Petain, died Sunday.

He was state secretary for industrial production in the Vichy regime from February 1941 to April 1942. After the war, he was charged with participating in talks between the German occupation authorities and Louis Renault on possible cooperation by the Renault car factories in the German war effort. He was tried and acquitted in 1949.

Paul O'Dwyer, 90, New York Politician

NEW YORK (AP) — Paul O'Dwyer, 90, a liberal lawyer who championed causes from voting rights to Irish independence, died Wednesday. Mr. O'Dwyer, a brother of

former Mayor William O'Dwyer of New York, held elected posts from 1963 to 1965 as a city councilman and from 1973 to 1977 as City Council president.

Louise Davies, 98, the San Francisco benefactor and widow of the oil millionaire Ralph Davies, who gave the city the loved a \$5 million concert hall in 1980, died Monday at a retirement home in Portola Valley, California.

## Thursday

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# High Court Holds Employers Liable for Sex Harassment by Bosses

By Joan Biskupic  
Washington Post Service

WASHINGTON—Employers are responsible for lewd remarks, offensive touching and other sexual harassment engaged in by supervisors, the Supreme Court ruled Friday. The justices also said that a worker who spurns a boss's sexual advances and does not lose his or her job will win monetary damages from the company.

The long-awaited, 7-to-2 rulings in a pair of cases raised the stakes for employers trying to deal with the wide range of sexually tinged conduct and abuse in the workplace. The message to private companies and government employers was: Get serious about sexual harassment or you will pay.

The justices observed that 12 years after the court first said that sex harassment was a form of sexual discrimination forbidden by law, it was obvious that harassment was still a common problem in American offices, factories and other workplaces.

"An employer can, in a general sense, rea-

sonably anticipate the possibility of such conduct occurring in its workplace," Justice David Souter wrote, "and one might justify the assignment of the burden of the untoward behavior to the employer as one of the costs of doing business, to be charged to the enterprise rather than the victim."

By ruling that employers are subject to "vicarious liability" in all cases of harassment by supervisors, the justices put the burden on the companies to come up with policies against sexual misconduct and enforce them. But the court also provided new clarity for employers and specific steps to follow.

Lower courts were conflicted over when employers are responsible for supervisors' harassment and whether a man or woman could sue for damages when threats of retaliation for spurned sexual advances went unfulfilled.

On Friday, the high court said employers always are potentially liable for a supervisor's sexual misconduct toward an employee. Then the court distinguished between cases in which a worker lost his

or her job or a promotion, or suffered some other tangible job loss. It said that a company would always be liable if there was a tangible loss.

But it said that if the threats went unfulfilled, the employer would have a chance to overcome liability with two defenses. It said an employer could show that it had taken reasonable care to prevent and promptly correct harassment and that the employee had failed to take reasonable steps to either prevent or stop the harassment.

One of the cases involved Beth Ann Faragher, who was a lifeguard for the city of Boca Raton, Florida, and was abused by two supervisors. They patting her thigh, slapped her on the rear, and called her and other women offensive names.

A federal court had ruled in the case that the city or any other employer could be held liable for a supervisor's harassment only if the employer had given the supervisor authority to harass. The Supreme Court overruled that decision, saying that a supervisor works as an agent for the company and that his harassment necessarily

alters the terms of a victim's employment and violates federal law against job discrimination.

"When a fellow employee harasses, the victim can walk away or tell the offender where to go," Justice Souter wrote, "but it may be difficult to offer such responses to a supervisor."

The second case involved Kimberly Ellerth, who worked in marketing for Burlington Industries in Chicago and whose boss told her, "I could make your job very hard or very easy," and asked her to wear shorter skirts, ogled her body and touched her inappropriately. She never submitted and was promoted despite rejecting her boss. The justices said she could sue and sent the case back to lower courts.

## Other Rulings on Last Day of Session

There were three other highlights of the final day of the high court's 1997-98 session, The Associated Press reported:

• In an unusual double-jeopardy ruling, the court made it easier for states to punish habitual

criminals with stiffer sentences based on their past crimes. The justices, by a 5-4 vote, ruled that the constitutional protection against being tried twice for the same crime does not apply to sentencing proceedings in noncapital cases.

• Let the government continue banning the sale of Penthouse and other sexually explicit magazines on military bases. The court, without comment, turned away arguments by Penthouse's publisher that the ban enacted by Congress in 1996 wrongly discriminates against magazines that "deal with sexuality as healthy and enjoyable."

• Turned away a dispute over a Utah public school teacher's alleged in-class religious activities, letting stand a ruling that has raised concern nationwide among supporters of strict church-state separation. The court, without comment, refused to revive a former Salt Lake City high school student's federal lawsuit that accused a music teacher of violating her religious rights by using his class to promote the Mormon religion.

## World Bank Resumes Loan Program for India

By David E. Sanger  
New York Times Service

NEW YORK—Six weeks after India conducted nuclear tests that prompted economic sanctions by the United States, the World Bank has resumed its lending program to New Delhi with the endorsement of the Clinton administration.

U.S. officials said Thursday that the aid, \$543 million in loans, is chiefly humanitarian and thus exempt from sanctions.

The American decision suggested that, despite President Bill Clinton's warnings about the harm that economic sanctions would do to India and Pakistan, which later conducted tests of its own, most World Bank projects would probably move ahead. The bank focuses most programs on health, nutrition, education and rural development.

## KOSOVO: New Attack Expected

Continued from Page 1

The Serbian military, which has been warned that NATO could launch strikes if the troops and policemen are not withdrawn from Kosovo, has set up 30mm anti-aircraft weapons and SA-9 surface-to-air missiles around the airport and on hills.

There has been a heavy concentration of armor and heavy artillery on the edge of the rebel-held pockets and there were large-scale troop movements along the roads outside of the provincial capital.

"All the signs are there of a pending attack," said a senior Western military official. "It will take the Serbs a few hours to roll into these areas and smash through the roadblocks."

"The rebels don't stand a chance, but this attack will trigger a wider, deadlier war, bringing the conflict to the cities, creating small, mobile bands of armed men that could see fighting here last for years."

"The Serbs will have some short-term gains, but this assault could mean that in the end they have lost Kosovo."

In a last-ditch effort to prevent such an attack, the U.S. ambassador, Richard Miles, and Christopher Hill, the U.S. ambassador to Macedonia, drove out to the rebel barricade at Lapushnik shortly after Mr. Holbrooke's plane left.

The diplomats sat on a grassy slope next to two white armored embassy vehicles waiting for a local rebel commander, who appeared after about 30 minutes in fatigues and a beret.

"We are against all blockage of roads," Mr. Hill told the commander. "We need time. We are deeply concerned and deeply engaged in finding a peaceful solution, but a peaceful solution is the only solution."

The rebel commander made no commitments but promised to deliver the message to his superiors.

The American diplomats traveled back to Pristina along the deserted road, covered with spent shell casings, subdued and despondent.

It is unclear whether the administration will seek to block electric power projects, which are often part of development programs.

U.S. officials have previously said that the sanctions are ending military sales to both governments, but they have not banned trade, bank loans to privately owned companies or investment by American companies. Military sales, munitions exports and small military training programs have been terminated.

Financing by the government's Export-Import Bank, including \$500 million in pending deals in India, will not go forward.

The new World Bank loan is for Andhra Pradesh, a state that has been a leader in economic reform. The state has 73 million people, and the bank said about 30 percent of the children suffer from malnutrition. The literacy rate is 44 percent, lower than India's average.

The package the bank approved is directed at those problems, including projects to ensure that more children complete primary school, to train health workers and to pay for immunization and nutrition services for preschool children and pregnant and nursing women. Money for irrigation systems and the maintenance of rural roads is also included.

U.S. officials said all the programs fall under an exception in the 1994 Nuclear Nonproliferation Act. That law requires Washington to cut off virtually all direct aid to nations that conduct nuclear tests; it also bans American banks from making loans to their governments and mandates that the United States vote against aid to those countries by the World Bank and the International Monetary Fund.

But the law exempts aid for "basic human needs," a category that is not defined in the legislation.

It is up to the U.S. administration to devise a definition, and it appears to have chosen a relatively broad one, especially after it became clear that other industrialized countries would not join in voting against most World Bank programs for the poor.

The United States has about 18 percent of the voting power in the bank, not enough to block a program by itself.



TIME CHECK — President Fidel Castro of Cuba, right, checking his watch Friday as he greets President Ernesto Samper of Colombia, who was in Havana for a health conference for nonaligned countries.

## British EU Envoy Breaks Isolation of Nigeria

LAGOS — Nigeria's new military ruler, General Abdulsalam Abubakar, met with a European Union envoy on Friday, signaling Nigeria's emergence from diplomatic isolation after the death of General Sani Abacha, diplomats said.

They said General Abubakar's talks with a British junior Foreign Office minister, Tony Lloyd, which lasted more than an hour, focused on restoring democracy to Africa's most populous nation.

Mr. Lloyd's visit on behalf of the EU, the first by a British minister since 1996, would have been unthinkable before the June 8 death of General Abacha, who was condemned for abusing human

rights and ignoring democracy. High on the agenda was the plight of Moshood Abiola, the presumed winner of the 1993 elections whose annulment by the military is at the root of the country's current political and economic stalemate. Mr. Abiola's name was conspicuously absent from the list of 17 detainees released by General Abubakar on Thursday. Those freed included Ollisa Agbakoba, an opposition leader and anti-Abacha campaigner, as well as other opponents of the late strongman.

Emeka Anyaoku, secretary-general of the Commonwealth, which suspended Nigeria in 1995 for executing Ken Saro-Wiwa, an author, and eight other minority rights activists, said he would visit Ni-

## KOREA: 9 Are Found Dead in Submarine

Continued from Page 1

Korean War armistice. The ministry called for a meeting of generals from North Korea and the United Nations Command, including the United States and South Korea, at the village of Panmunjom in the demilitarized zone that has divided the Koreans since the end of the war in July 1953.

South Korean military officials said the North Korean agents found in the submarine may have been picked up, possibly Sunday night, from missions in the South. They found three sets of American-made infiltration gear and an empty pear juice container made by a South Korean manufacturer.

"They were probably trying to contact spies here," said a report Friday night on the state-owned Korea Broadcasting System. "Their purpose is to instigate turbulence in South Korea society regardless of the South's policy toward the North."

Military officers speculated that the submarine may have dropped off agents before picking up the ones who were killed. There were no signs, however, of a manhunt similar to the 53-day search that followed the grounding of a larger North Korean submarine in the same area in 1996.

The chief of operations of South Korea's Joint Chiefs of Staff, Lieutenant General Chang Yong Jin, described what he said was "the most plausible

scenario" of how the nine North Koreans had died.

"Four trained agents killed themselves after moving down five crew members who had resisted an order to commit suicide to avoid capture," General Chang said.

He drew the scenario from a macabre scene in which the bodies of the four agents were found with bullet wounds in their heads while the five sailors, apparently after a struggle, with shots to various parts of their bodies. Nearby were two AK-47 rifles as well as two machine-guns, two hand grenades, two pistols and a rocket-propelled grenade tube for knocking out tanks.

The apparent murder-suicide was grimly reminiscent of the previous submarine episode. Nonetheless, some experts doubted that the latest incident would have serious long-range repercussions.

"Its negative impact on inter-Korean relations is rather limited," said Oh Sang Yul, senior research fellow at the Korean Institute for National Unification, an arm of the Unification Ministry.

Mr. Oh said he doubted, however, that North Korea would issue an apology, which it did three months after the 1996 incident. "North Korea stated this submarine was on an exercise," he said. "It is very difficult to prove their real intention, and it is more important that we get rid of these tensions between North and South."

## BRIEFLY

### India Cites U.S. As Security Concern

NEW DELHI — India said Friday that security concerns over the United States, as well as over China and Pakistan, played a part in its nuclear tests last month.

Defense Minister George Fernandes said New Delhi's decision to stage the tests was justified because of the presence of three nuclear powers in India's neighborhood.

"There is Pakistan in the west," he said, "China in the north and the United States in the south in Diego Garcia." The United States has a naval base in Diego Garcia, an Indian Ocean island.

K. C. Pant, a former defense minister, said this month that "India's security concerns extend beyond South Asia." (APF)

### In Taiwan, Spread Of Virus Is Slowing

TAIPEI — Experts said Friday that the spread of an intestinal virus was slowing, but urged parents to take steps to protect their children from the contagion for which no vaccine has been found.

"The decline is encouraging," said Umesh Parashar of the U.S. Centers for Disease Control. He added that personal hygiene and other preventive steps were effective in avoiding infection.

Officials say the virus has killed 50 young children in Taiwan and led to 253 being hospitalized. (Reuters)

### Cambodia Leader Calls for Fair Vote

SAMRONG TONG, Cambodia — The Cambodian leader Hun Sen called Friday for a fair election, saying all parties should be allowed to campaign freely for the vote scheduled for July 26.

Speaking to villagers west of Phnom Penh, Mr. Hun Sen said no one should be forced to vote for his Cambodian People's Party.

The party has been accused of unfair tactics, including a drive to force people to pledge their vote to it. (Reuters)

### Chile Freezes Plan To Buy Fighter Jets

SANTIAGO — Chile has frozen plans to buy state-of-the-art fighter jet aircraft amid national budget cuts to offset the impact of Asia's financial crisis.

Finance Minister Eduardo Aninat announced the move Thursday as part of a package designed to shore up spending so that Chile's economy does not unravel as dollar earnings shrink because of the crisis.

Chile has been considering spending \$600 million on jet fighters from Sweden, France or the United States, a move that raised concern about regional arms race. (Reuters)

## ITALY: As the Army Leaves, Sicilians Worry About Mafia's Return

Continued from Page 1

Piero Luigi Vigna, Italy's chief organized-crime prosecutor, who lobbied to keep the soldiers in place.

"It could be interpreted as a sign that the state is reducing its attention to organized crime in Sicily."

Since the killings of Mr. Falcone and Mr. Borsellino, who are revered as martyrs of the anti-Mafia crusade, the government has rotated 150,000 servicemen through Sicily, about 4,000 at a time. With soldiers standing guard, thousands of police officers were freed to help with investigative work.

In the last few years, hundreds of Mafia members have been arrested and convicted, including figures like Salvatore Riina, the "boss of bosses," who was given a life sentence last year for his role in the killing of Mr. Falcone.

No prosecutors have been killed since the army arrived, and that alone has led many to conclude that the most dangerous crime networks have been dismantled. But that opinion is not shared by judges and prosecutors.

"The Mafia has been dealt a harsh blow, but it is an organization that knows how to restructure and survive in bad times," said Gian Carlo Caselli, the chief prosecutor in Palermo.

"It has gone underground," he said, "but the Mafia wouldn't be the Mafia unless it had deep alliances in the world of politics and high finance."

Like his colleagues, Mr. Caselli still has a phalanx of armed bodyguards. Palermo is less palpably tense than it was in 1992, when car bombs and brutal assassinations in broad daylight were an almost weekly event.

There are a few vivid signs of newfound normality: The 19th-century neoclassical opera house, Teatro Massimo, reopened in April with a performance of "Aida." It was closed for minor repairs in 1974, but renovation funds were siphoned off by the Mafia as they were for hundreds of public works projects in Italy's South.

Around the opera house, however, the luxurious city center is still marked with neglected buildings and hideous high-rises, a testimony to how the Mafia, with the collusion of corrupt elected officials, misused public funds.

There are other endemic problems that keep the Mafia well-rooted, including staggeringly high unemployment, which has reached 60 percent among the young. Extortion, a Mafia mainstay, is stronger than ever, according to law enforcement officials.

Some officials say that even though there is much work to be done, it is time for the army to leave. "Six years ago, it seemed we had no strength left to fight the Mafia, and we needed extraordinary measures to do something," said Antonio Manganelli, Palermo's chief of police. "But all extraordinary measures must have a beginning and an end."

## ULSTER: Split in Unionist Vote May Weaken Province's Assembly

Continued from Page 1

forming himself from a tribal politician defending the diminishing Protestant majority in Northern Ireland to a leader daring to talk of forming inclusive government and reaching accommodations with Catholics.

Six of his nine Ulster Unionist colleagues in the British Parliament, however, failed to back him, and the Protestant politicians who voted "no" in the referendum, led by the gruff preacher Ian Paisley, vowed to elect enough people to the 108-member assembly to frustrate its efforts to share authority with Catholics. With the count still incomplete, it was not clear whether they had gained the estimated 30 seats necessary to achieve that goal, but they were showing surprising strength.

"We are going to nail the hide of Mr.

Trimble and the hide of Mr. Blair, two liars, to the fence," Mr. Paisley said with jubilation as he followed the count from his North Antrim district. Prime Minister Tony Blair was a sponsor of the peace talks that led to the settlement and had tried to shore up Mr. Trimble when he came under attack from dissident Unionists.

As he waited for the results in his Upper Bann district, Mr. Trimble said, "I hoped we were making progress since the referendum, but it might even be we are slipping back a little bit."

Even Gerry Adams, president of Sinn Féin, the political wing of the Irish Republican Army, expressed concern at the blow to Mr. Trimble's leadership. "The Unionist vote has shredded, and that's regrettable," he said.

One of the assembly's early obligations is to create a cross-border council

that will bring together members of the government of Ireland and the new government of Northern Ireland. Mr. Paisley and his followers have vowed to stymie that, saying Friday that they intended to "destroy the pan-nationalist front."

Nationalist is the term for people, largely Catholic, who seek eventual absorption into the Republic of Ireland. Unionists are those, mostly Protestant, who favor remaining within the United Kingdom.

Gregory Campbell, a member of Mr. Paisley's Democratic Unionist Party, who won a seat from Londonderry, said, "Anything in the assembly that is likely to lead us closer to the Republic of Ireland, we will block, will vote against and we will endeavor to stop."

The assembly will also create a 12-man executive, and one of them will be Mr. Adams, who was a winner Friday in his West Belfast district.

The new speaker of the assembly, called the "First Minister," will most likely be Mr. Trimble, although in a far weaker state than he had hoped. Mr. Hume will almost certainly serve as the deputy.

What appeared to have cost Mr. Trimble support were disputes in recent weeks over disarmament of paramilitary groups like the IRA and the early release of paramilitary prisoners. His critics said that without further conditions governing those two matters that existed in the final settlement document, members of parties linked to paramilitary groups like Sinn Féin could take office in the new Northern Ireland government without making any permanent commitment to ending violence.

In a place where mistrust is so deep and the memory of bloodshed is so fresh, such arguments have great force, and Mr. Trimble's calm reassurances and lunge for the statesmanlike stance were no match for them.

In the early counting, the Ulster Unionists were performing so poorly and the Social Democratic and Labour Party was showing such surprising strength that Mr. Hume's party was within reach of supplanting Mr. Trimble's as the biggest vote-getter.

In recent elections, Sinn Féin had been capturing more and more of the Catholic vote from the Social Democratic and Labour Party, and Mr. Adams had hoped to continue that trend in this vote. But it was Mr. Hume and his party that made gains at the expense of Sinn Féin.

sentence. In Catania, on Sicily's east coast, police in a separate operation arrested 40 people and filed Mafia-related charges against 14 people already in jail.

The police said the arrests would prevent the Sicilian mafia from reorganizing after the detention of some of its top godfathers like Totò Riina.

## Corleoneses Rounded Up

Among those arrested Friday in the Palermo area on charges including murder, theft, drug trafficking and gun-running were 22 suspected members of the Corleone clan, The Associated Press reported. The reported boss, Vito (Old Rag) Vitale, was arrested in April.

His sister, Giuseppina Vitale, 26, was picked up in Mr. Vitale's home town, Partinico, just outside Palermo. Police also filed new charges against his brother, Leonardo, who is serving a life prison

## Republican

By Thomas R. Egan  
Washington Post Service

WASHINGTON — President Clinton's trip to China has been overshadowed by the Republican Party's announcement that it will not endorse any candidate for president in the 2000 election.

The party's decision, announced Friday, was a surprise to many observers, who expected the party to endorse a candidate in the 2000 election.

The party's decision was a result of a vote by the party's executive committee, which met in New York City on Friday.

The committee voted 10-0 to endorse no candidate for president in the 2000 election.

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## Talks With D

Chinese Official Calls For

By Erik Eckholm  
Washington Post Service

WASHINGTON — A Chinese official said Friday that China has been "patiently waiting" for the United States to take steps to improve its human rights record.

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## Clinton: Ahead of

Continued from Page 1

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# Republicans Spot Targets in Clinton's China Visit

By Thomas B. Edsall  
Washington Post Service

WASHINGTON — President Bill Clinton's trip to China has provided the Republican Party with a number of irresistible targets, even if it means offending the party's corporate allies.

"China-bashing scores political points," said a Republican pollster, Frank Luntz, who said his focus groups revealed strong animosity against the Asian nation.

Over the past couple of weeks, congressional Republicans have tried to score those points, pushing for measures that would punish China, including denying visas to Chinese officials who have engaged in religious persecution or forced abortion. Lawmakers even approved

a symbolic resolution instructing Mr. Clinton not to enter into new satellite agreements with China.

The trip itself offers Republicans the chance to play on American anxiety over a major Communist power, to focus public attention on foreign money fund-raising scandals, to portray Mr. Clinton as weak in foreign policy and to build support for increased defense spending.

These issues, party strategists say, encourage Republicans to vote in the off-year elections and are ideal for the party's presidential candidates seeking to build support among the same constituency. "This is a good political story to push because it shows the contradictions about Clinton," said Bill McInturff, a Republican pollster. Geoff Garin, a Democratic

strategist, countered that while Republicans' criticism of the China trip "may help them a little bit with the Democratic blue-collar base, it hurts them just as much with their white-collar and business base."

But for many Republicans, the benefits of taking on the China trip outweigh the costs. "I suppose one can make the argument that some business groups engaged in substantial trade will be disturbed, but that is not a cost that initially strikes me as particularly expensive," said Whit Ayers, an Atlanta-based Republican pollster.

For prospective presidential candidates, the China issue provides an opportunity. "It is a big winner the more the public focuses on it, and I found in Iowa and New Hampshire that they are focusing on it more and more," said Gary Bauer, head of the

Campaign for American Families, who is considering a bid for the Republican presidential nomination.

For military hawks in the party, Mr. Clinton's trip to a Communist country armed with missiles pointed at the United States provides fodder for the drive to restore funding of the Strategic Defense Initiative, or "star wars."

"The Republican Party is prepared to have this become a political issue," the party's national chairman, Jim Nicholson, wrote in the Washington Times. "What Bill Clinton said back in 1996 about no foreign missiles being aimed at our kids wasn't true."

Perhaps most inviting is the opportunity to use the trip to focus public attention on 1996 Democratic fund-raising involving contribu-

tions from contractors involved in technology transfers to China requiring administration approval and allegations of cash funneled into the Democratic Party from Chinese government agencies.

Not all Republicans are comfortable with this strategy. The House Ways and Means Committee, with the support of the speaker, Newt Gingrich, Republican of Georgia, voted Thursday to back Mr. Clinton's decision to renew most-favored-nation trade status for China.

Senator Chuck Hagel, Republican of Nebraska, said he strongly opposed any criticism of the China trip. "To beat up on the president and then to try to intentionally embarrass him and the Chinese is not the right thing to do," he said.

## BRIEFLY

### President's 2 Valets Hassled

XIAN, China — A Chinese security guard tried to stop President Bill Clinton's two valets from boarding Air Force One on Friday, apparently because they are Filipino-Americans, the White House said.

The valets were carrying Mr. Clinton's bags aboard the plane at the airport in Xian for departure to Beijing when the guard began shouting at them as they climbed the airliner's back stairs, creating a commotion as reporters watched.

The White House spokesman, Michael McCurry, said that Mr. Clinton's Secret Service agents believed the valets "were stopped and singled out only for reasons of ethnicity."

The implication appeared to be that the Americans were allowing two Chinese to board Mr. Clinton's plane surreptitiously. (Reuters)

### The Internet Doctor Is In

XIAN, China — American and Chinese doctors consulted across cyberspace on Friday in the first successful live medical teleconference between their countries. Secretary of State Madeleine Albright and Commerce Secretary William Daley visited the project Friday and hailed the potential of the Internet for improving health care and building bridges between people.

"We are crossing into new frontiers of medical communication," Mrs. Albright said. "We are using technology the way it should be used — to save and improve people's lives."

One case at the Medical University in Xian, the first stop on President Clinton's tour, involved a two-week-old baby who slipped into a coma shortly after birth and then came out of it.

Chinese doctors wanted to know what caused the problem and its long-term impact.

A second case involved a 12-year-old girl with an unidentified debilitating heart condition.

Doctors at Stanford University Medical Center and the Lucille Salter Packard Children's Hospital in California were seen on a computer screen. X-ray images of the Chinese patients were also transmitted. (Reuters)

### Clintons Do the Tourist Bit

XIAHE, China — Not every tourist gets up close and personal with the terra cotta warriors of Emperor Qin Shihuang, but Mr. Clinton, his wife and their daughter were allowed into the pit to walk among a battalion of the 7,000-plus excavated statues lined up for battle.

Agog, Mr. Clinton stopped before one of the lifelike warriors and reached out to touch its face, modeled after a real person 2,000 years ago.

"Whenever I experience something like this I feel a little more humble and I also feel reminded that you have this limited amount of time on Earth and you have to do what you can to try to help people make the most of it," the president said.

Afterward, Mr. Clinton and his daughter, Chelsea, bought a warrior head from the museum gift shop after a bit of hard bargaining that brought the price down from about \$225 to \$45.

The president's chief of staff, Erskine Bowles, did the first family one better.

He bought a full-size reproduction of a terra cotta warrior for \$1,100. There was no word on how well his bargaining went.

"My wife will either like it or she's going to kill me," he said. (AP)

## Talks With Dalai Lama Rejected

Chinese Official Calls Tibetan Leader a Relic of the Dark Ages

By Erik Eckholm  
New York Times Service

BEIJING — China's senior religious official on Friday vehemently rejected proposals, to be advanced by President Bill Clinton during his summit meeting Saturday, that China engage in discussions with the Dalai Lama over greater autonomy for Tibet.

At a press conference on the day Mr. Clinton arrived in Beijing for a state visit, the official condemned the exiled Tibetan Buddhist leader as a relic of the Dark Ages who wants to trick China into letting the vast mountainous territory on China's western border break away.

Should we send Tibet back into the original feudal serfdom, so dark, so savage, so cruel?" asked Ye Xianwen, director of State Administration for Religious Affairs, of proposals to allow the Dalai Lama to return and wield power. "If so, what human rights are we talking about?"

Mr. Clinton is under pressure from Congress and rights advocates to make China's rule in Tibet, which critics say is repressive, an important issue in bilateral relations.

There appears to be no chance Mr. Clinton will make any headway this week in defusing the Tibet issue, and American officials have already said as much.

Mr. Ye's statements did not represent a change in policy for the Chinese government, which has long mistrusted the Dalai Lama and

often condemns him in the harshest of terms.

In an interview with the American-sponsored Radio Free Asia on Wednesday, Mr. Clinton said, "We think it's wrong to deny the Dalai Lama access to his people in Tibet," and, "We think it's wrong for the people of Tibet to be subject to any sort of religious, cultural or economic discrimination."

Mr. Clinton added that the United States did not seek independence for Tibet and that he understood China's historical fears of disintegration.

The Dalai Lama, hereditary spiritual and political leader to many Tibetan Buddhists, fled Tibet in 1959 as the Chinese Communists crushed a rebellion and began to remake the old society. From his exile in India he has made little headway toward greater independence for Tibet but has recently gained a wide following in the West.

In recent statements, the Dalai Lama has said he does not seek independence, but rather autonomy over civil affairs.

But Mr. Ye said Friday that the talk of greater autonomy was merely a trick. "He is turning a one-stage strategy for independence into a two-stage strategy for independence," the official said. If he continues on his current course, Mr. Ye said, the Dalai Lama "will meet retribution according to the Buddhist scriptures."

"It is a well known fact that the Dalai Lama has betrayed his motherland by going into foreign exile and has engaged in splitist activ-

ities," Mr. Ye said, using the government's term for advocacy of independence.

"This is not a matter of religious belief," he said. "The Chinese government has never interfered in the religious practices and beliefs of the Tibetan people."

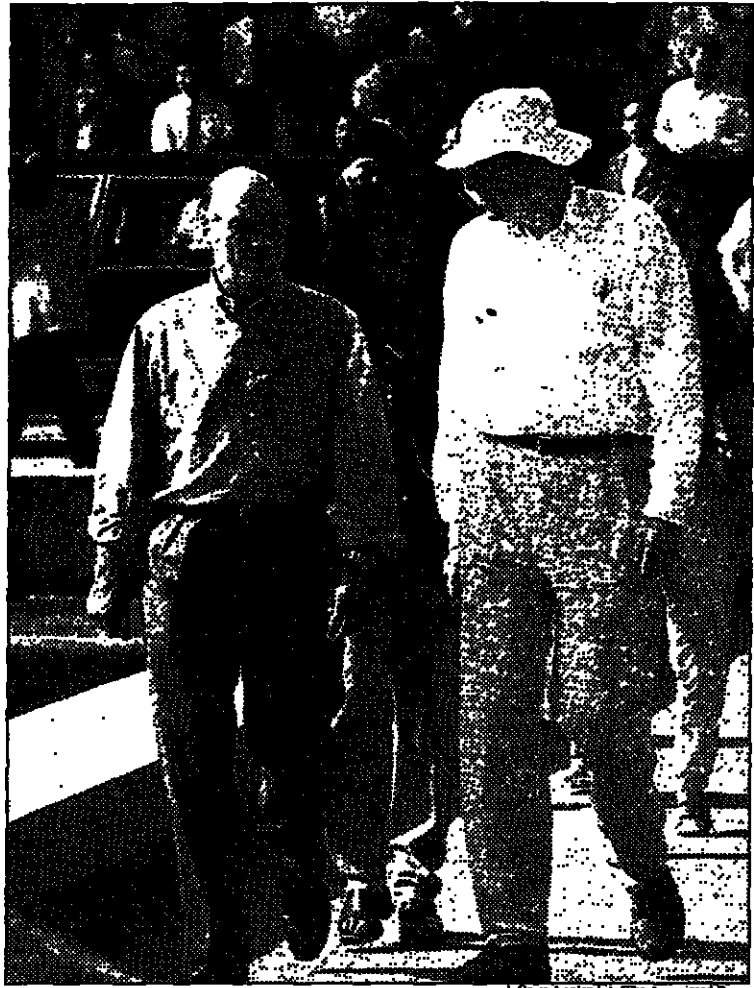
Mr. Ye acknowledged that during the Cultural Revolution of 1966 to 1976, religion was repressed in China including Tibet, where many monasteries were destroyed and monks imprisoned.

In recent years, Beijing has supported the rebuilding of some monasteries and supported aspects of Tibetan culture. But it has limited the numbers of monks and nuns and gone to great lengths to weed out or imprison those deemed to support the Dalai Lama. Although Tibet is formally a semi-autonomous region, it remains tightly controlled by the Communist Party.

China is now promoting economic development in the region, which it often trumpets in the official press. At the press conference, Mr. Ye more broadly defended China's religious policies, which have been attacked abroad as repressive.

"The Chinese government has made relentless efforts to guarantee its citizens freedom of religious belief," he said. "At the same time, we believe that the distinct features of each country should be respected."

In Communist China, religious freedom means that Christian churches that accept the oversight of the government have been allowed to grow, even thrive.



Commerce Secretary William Daley, left, and Senator Jay Rockefeller, Democrat of West Virginia, strolling in Xian on Friday.

But some evangelical Protestants, who reject government control, and Catholics who insist that the Pope is their spiritual leader, have faced fines or arrest, leading to charges of religious persecution. On Sunday, Bill and Hillary Clinton will attend services at the largest officially sanctioned Protestant church in Beijing.

## CLINTON: Ahead of China Summit, Tension Over Dissidents

Continued from Page 1

summit agenda, hoping to win last-minute concessions from the American side, U.S. administration officials said.

U.S. hopes dimmed for substantive progress on human rights and missile-technology transfers, and the White House has so far been thwarted in its pleas to allow live coverage in China of the rhetorical centerpiece of Mr. Clinton's visit, the Beijing University speech.

Using unusually harsh language, Samuel Berger, the national security adviser, said that the Chinese internal security apparatus was "doing what comes naturally" by harassing outspoken dissidents who officials fear might embarrass Beijing during the president's visit.

"People are not debris to be swept up for a visitor," Mr. Berger said at a news briefing Friday in Xian, Mr. Clinton's first stop on his nine-day trip. "We certainly will not accept this."

Human rights groups reported that four dissidents were arrested in two Chinese cities and that one was driven out of Xian in the hours before Mr. Clinton's arrival Thursday night. The Associated Press reported that as many as three of the dissidents may have been released Friday.

Mr. Berger tried to explain Beijing's crackdown on dissidents as a remnant of its police-state past, a preference for order over political freedom.

"China is changing, but there are still forces that are pulling the other direction, that are resisting," Mr. Berger said, adding, "I think China is an authoritarian nation, as I've said before. I think there's been some progress in human



Mr. Clinton and Chelsea, partly hidden, examining the terra cotta warriors near Xian.

rights, but it has been not nearly enough."

"In the area of public dissent, they are still totally unacceptable," he said.

Earlier on Friday, Mr. Clinton said he found reports of the arrests "disturbing," but he gave no indication that he would change his approach to China in response. "It makes it all the more important that we continue to work with the Chinese and engage them," Mr. Clinton said.

Mike Jendryczek, director of Human

Rights Watch Asia, said that the U.S. administration's unwillingness to respond with more than words to the arrests was a sign that the White House was "desperate not to offend the Chinese."

He called on President Clinton to signal his displeasure by withholding something the Chinese want, such as the planned visit to the United States this year by Prime Minister Zhu Rongji.

But Mr. Berger said the United States planned to do nothing beyond verbally protesting the arrests. He said it would be against U.S. interests to impose any punishment or withhold any agreements as a result of the police action. He added that the Chinese action was not as severe as previous crackdowns of dissidents before the arrival of important foreign visitors.

Even as the White House was defending the value of the summit talks to U.S.-Chinese relations, there seemed to be little movement on issues Washington sees as central.

The White House has been pressing China to permit the live, nationwide broadcast of Mr. Clinton's speech Monday, in which he is expected to deliver his strongest message on human rights, but Beijing has resisted.

A largely symbolic agreement to re-target nuclear-tipped missiles away from each other's cities appeared to be slipping away because the Chinese continue to insist that the deal be linked to a U.S. pledge not to be the first to use nuclear weapons in war.

The White House had also hoped to win commitments from Beijing on human rights, including the release of jailed dissidents and a relaxation of the suppression of the Tibetan autonomy movement.

## YUAN: Rubin Gets Assurances That Currency Will Be Kept Stable

Continued from Page 1

for this decision." Of Japan, he said, "I've not spoken to any person in the financial or political world who does not believe Japan must solve its problems."

Last week, the drop in the yen prompted the United States and Japan to prop up the value of the currency by buying \$4 billion of yen in foreign exchange markets. Many financial experts think China played an influential role in forcing the intervention by complaining about how the weak yen was hurting its exports and by dropping hints that its currency might have to be devalued.

On Friday, before their morning meeting, the Chinese central bank governor, Dai Xianglong, made a show of thanking Mr. Rubin for the intervention. Mr. Dai had been among the Chinese officials who raised alarms in recent weeks about how a weak yen was putting pressure on the yuan. But the effects of the move have largely worn off. After a brief rebound, the yen has settled to about 142 to the dollar, and currency traders are once

again betting on when the United States will be forced to intervene again.

Mr. Rubin was resolutely noncommittal Friday about whether the United States would continue propping up the yen. But he is known to be skeptical about the efficacy of such interventions. He would clearly prefer that Japan tackle its more deep-seated economic problems, which include a banking sector that staggers under \$600 billion in bad loans and a web of onerous financial regulations.

As for China, Mr. Rubin said it, too, faced formidable economic challenges. Mr. Zhu is embarking on a broad reform of China's banking system, as well as privatizing thousands of state-owned enterprises. "You certainly got the feeling of people who understand the problems," Mr. Rubin said.

He said the Chinese leaders are sticking to their forecast of 8 percent economic growth in 1998. But with exports dwindling and domestic demand sluggish, he added, "It's not clear where they expect to come out."

Over the next five days, Mr. Rubin

will travel to Malaysia, Thailand, and South Korea — countries that are grappling with more nettlesome problems than slowing growth.

In Malaysia, Mr. Rubin will face a potentially unstable political environment. On Wednesday, the Malaysian prime minister, Mahathir bin Mohamad, named his close adviser, Datu Zaiduddin, as a cabinet minister in charge of the economy. That would appear to undercut the deputy prime minister, Anwar Ibrahim, who had overseen the economy and is Mr. Mahathir's heir apparent.

Mr. Ibrahim has clashed publicly with his boss in recent weeks over how Malaysia should respond to the economic downturn. Although Mr. Ibrahim says he is loyal to Mr. Mahathir, political analysts in Malaysia think Mr. Ibrahim might challenge him if he felt he was being shunted out of power.

In Thailand and South Korea, the governments are struggling to impose harsh economic reforms mandated by the International Monetary Fund in the face of mounting opposition from labor leaders and populist politicians.

# Facing The Truth

Christians and Jews of America must reach for the courage of Jesus and Moses in order to diffuse the spell of mutual distrust that continues to embroil all of the Children of Abraham.

Their frequently misplaced righteousness and one-sided sense of moral culpability perpetuate the painful plight of every innocent victim in the Holy Land.

America's Christian and Jewish leaders should set aside their concern for political correctness and relinquish the evasive tactics of the past. Unless they take hold of the fast-deteriorating situation in the Middle-East, Israel's self-inflicted isolation and escalating abrasiveness will lead to further suffering and vindictive bloodshed in what was once the land of milk and honey.

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## EDITORIALS/OPINION

## Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## A Sound Veto Rejection

In a sound and much-needed decision, the Supreme Court has rejected the line-item veto as a departure from the basic constitutional requirement that presidents accept or reject bills in their entirety.

The 6-to-3 decision, written by Justice John Paul Stevens, firmly cast aside government arguments that in canceling specific lines of the budget the president was merely exercising authority delegated to him by Congress. Instead the court found that the line-item veto violates the "presentment clause" of Article I. That clause establishes the process by which a bill becomes law.

It is unfortunate that the majority opinion rests solely on the procedural problem, never reaching the more profound constitutional defect.

The line-item veto is an affront to the separation of powers and an arrogation of responsibility by Congress. That issue, however, did get addressed eloquently in Justice Anthony Kennedy's concurring opinion.

"By increasing the power of the president beyond what the Framers envisioned," he wrote, "the statute compromises the political liberty of our citizens, liberty which the separation of powers seeks to secure."

—THE NEW YORK TIMES.

## Microsoft's Big Victory

The decision this past week by the U.S. Court of Appeals for the District of Columbia Circuit was a significant victory for Microsoft, perhaps even more so than it initially appears.

The litigation dealt with whether Microsoft's practice of marketing its browser software, Internet Explorer, as part of the Windows 95 operating system violated a consent decree by unfairly using the company's dominant position in the operating system market to squeeze its competitors in the world of browsers.

A district court judge had ordered the company to detach its browser from the operating system; the question on appeal was whether the preliminary injunction had been issued properly.

The appeals court ruled that the lower court holding was procedurally flawed, because Microsoft never had a chance to argue against the preliminary injunction.

The divided three-judge panel also held that the district court's referral of the matter to a special master was "either a clear abuse of discretion or an exercise of wholly nonexistent discretion."

These holdings alone would have been big victories, but the court went further. Judge Stephen Williams seemed to go out of his way to reach the merits of the Justice Department's underlying charge that tying Internet Ex-

plorer to Windows 95 violated the consent decree — and he then rejected the department's position.

The department argues that the two products are distinct; Microsoft claims the browser is an inseparable part of Windows 95. The court clearly agreed with Microsoft.

Ironically, the decision came after the consent decree litigation had already been rendered virtually obsolete.

Microsoft has a new operating system called Windows 98, and the department has filed a new lawsuit to match. But the logic of the circuit court ruling may apply rather neatly to this new litigation.

The context differs, of course; the more recent action is not intended to enforce the consent decree but rather the Sherman Act, and the new case deals with somewhat broader allegations of anti-competitive practices by Microsoft.

These practices — assuming the allegations are true — are ugly and could, even if the recent decision is correct on the question of integration, lead a court to conclude that Microsoft has stepped over a legal line.

But one of the major technical premises of the department's argument has been rejected, and that rejection may require considerable legal and intellectual acrobatics to overcome.

—THE WASHINGTON POST.

## Peru's Political Prisoners

It is regrettable that Peru's president, Alberto Fujimori, did not listen to his new prime minister, who suggested that he pardon and expel Lori Berenson, an American serving a life prison sentence for her ties to violent Peruvian terrorists.

Ms. Berenson, a 28-year-old New Yorker, was convicted of treason in 1996 after a sham trial before a secret military court. She was not allowed to challenge evidence, cross-examine prosecution witnesses or call witnesses of her own. President Bill Clinton and Vice President Al Gore have asked Mr. Fujimori to allow her to be retried, with appropriate legal safeguards, in a civilian court. She has spent two years in prison and suffers health problems.

Prime Minister Javier Valle Riestra, a constitutional lawyer and human rights advocate who has been in office just three weeks, questioned the fairness of the trial and suggested that her expulsion would improve relations with the United States. Hundreds of Peruvian civilians have also been jailed

after unfair military trials. They, too, should be retried in civilian courts.

Mr. Fujimori, known for his authoritarian temperament and impatience with civil liberties, promptly rejected Mr. Valle Riestra's proposal. But it is somewhat encouraging that he also turned down Mr. Valle Riestra's offer to resign. The prime minister, chosen from the political opposition, is also critical of Mr. Fujimori's unwise quest for a third presidential term.

Mr. Valle Riestra's outspokenness is a welcome development. Peru's democracy was damaged when Mr. Fujimori closed its Congress and courts in 1992. An elected legislature has been restored, but judicial independence has not, and military abuses of human rights go largely unpunished.

Mr. Fujimori should do more than just put up with Mr. Valle Riestra's criticisms. He should act on them, beginning with the cases of Ms. Berenson and others unfairly convicted by military courts.

—THE NEW YORK TIMES.

## Playing Games With Taxes

For sheer mischief-making irresponsibility, it is hard to top the House's action in voting to repeal virtually the entire federal tax code. What, you might ask, will replace it? There is no answer, except for a promise that the question will be addressed sometime in the next century.

The House voted to make the repeal effective on Dec. 31, 2002, and to require Congress to pass a new code less than six months before that, by July 4. Even if one assumes that the deadline would be met, the economic dislocations in the interim would be substantial.

Neither businesses nor individuals would be able to plan their affairs with any firm idea of what the tax laws were going to be. Will the interest on your new mortgage be deductible? Will your IRA remain tax-deferred?

Representative Steve Largent, the Oklahoma Republican who came up with this idea, argues that the certain death of the old tax code would make taxes a central issue in the 2000 presidential race. Congress would also have to act by the deadline, or the government would see its tax revenues vanish.

There is a case to be made for tax reform, but any reform plan will result in some people paying more than they do now, and some less.

Republicans at the moment cannot agree on whether to push for a national sales tax or a flat income tax, so House Republicans simply pushed the repeal through, on a 219-to-203 vote. No doubt they are salivating at the prospect of campaign spots accusing Democrats of voting for the current tax code.

William Roth, the Senate Finance Committee chairman, suggested that it would be better for the Republicans to have figured out what they were for before they acted on taxes. But the Senate Republican leadership has lined up behind the bill, and so it may yet be necessary for President Bill Clinton to veto this outrageous example of political grandstanding.

—THE NEW YORK TIMES.

## The UN Should Intervene Before Force is Needed

By Kofi A. Annan

Mr. Annan is secretary-general of the United Nations.

DITCHLEY PARK, England — In the context of international relations, intervention has had a bad press in this century. After various "interventions" by assorted states, the word came to be used almost as a synonym for "invasion."

Yet in other contexts it has a more benign meaning. We all applaud the policeman who intervenes to stop a fight, or the teacher who prevents big boys from bullying a smaller one — not to mention the surgeon who saves lives by intervening to remove malignant growth, or to repair damaged organs.

So it should be in international affairs. The United Nations was established to act as a benign policeman or doctor. Our job is to prevent conflict where we can, to stop it when it has broken out, or — when neither of those is possible — at least to prevent it from spreading.

The UN is prohibited by its own charter from intervening in the domestic affairs of its members states. Rightly so. Without sovereign states there is no global order. But the charter also states that national sovereignty can be set aside if it stands in the way of the Security Council's overriding duty to preserve international peace.

On the face of it, therefore, there is a clear distinction between international conflict, which is the UN's business, and domestic disputes, which states are supposed to settle for themselves.

But in recent years this distinction has largely broken down. Most wars nowadays start as civil wars, "civil" only in the sense that civilians — non-combatants — have become the main victims.

In World War I, roughly 90 percent of those killed were soldiers, and only 10 percent civilians. In World War II, even if we count the victims of Nazi death camps as war casualties, civilians made up only about half of all those killed. In many of today's conflicts civilian casualties make up as much as three-quarters of the total.

Yet as long as a conflict rages within a single state, the traditional interpretation of the charter would require us to let it rage.

Can this be right? The charter, after all, was issued in the name of "the people," not the governments, of the United Nations. Its aim is not only to preserve international peace — vitally important though that is — but also "to reaffirm faith in fundamental human rights, in the dignity and worth of the human person."

The charter protects the sovereignty of peoples. It was never meant as a license for governments to trample on

human rights and human dignity. The fact that a conflict is "internal" does not give the parties any right to disregard the most basic rules of human conduct.

Besides, most internal conflicts do not stay internal for long. They spill over into neighboring countries, most obviously and tragically in the form of refugees. And sometimes they not only spread across existing frontiers but also create new ones — as happened in the former Yugoslavia — so that what started as an internal conflict becomes an international one.

In many cases, the conflict eventually becomes so dangerous that the international community finds itself obliged to intervene. By then it can only do so in the most intrusive and expensive way, which is military intervention. And yet the most effective interventions are not military. It is better, from every point of view, if action can be taken before a conflict reaches the military stage.

Sometimes this action may take the form of economic advice and assistance. In other cases what is most needed is timely diplomacy. The UN intervention I am most gratified by is my journey to Baghdad this February, which helped avert a new war in the Gulf, at least for the time being.

I was able, I believe, to persuade Iraq to respect international law and work with the international community without destroying the Iraqi government's dignity and willingness to cooperate.

But there will always be some tragic cases where peaceful means fail — where extreme violence is being used, and only forceful intervention can stop it. In those cases the UN Security Council will sometimes have to decide — it is the only body with the authority to do so — that the situation within a state's borders has become so grave as to justify forceful intervention because it poses a threat to international peace.

Most people now agree that the genocide in Rwanda in 1994 was such a case. General Romeo Dallaire, the commander of the UN mission there, has said that 500,000 lives could have been saved. Tragically, the opposite course was chosen, and the size of the force was reduced. Not only were nearly a million Rwandans massacred, but similar numbers became refugees in neighboring countries. This led directly to another war in Zaire (now Congo) two years later.

Now we face a new challenge in Kosovo. Once again we see towns and

villages being shelled, indiscriminate attacks on civilians, and thousands fleeing from their homes — many of them across an international border.

This time, we cannot be taken by surprise, neither by the means employed, nor by the ends pursued. This time, we know all too well what to expect if ethnically driven violence is allowed to continue.

Of course, we all hope for a peaceful solution. I particularly welcome President Boris Yeltsin's recent efforts to achieve this, and Ambassador Richard Holbrooke's continuing shuttle diplomacy. And we also hope the problem can be solved without destabilizing the region's established borders.

But that only makes it more im-

portant to stop the violence now. All our professions of regret, all our expressions of determination never again to permit another Bosnia or another Rwanda, all our claims to have learned something from the mistakes and tragedies of the recent past, will be cruelly mocked if we now let Kosovo become another killing field.

In 1991, President François Mitterrand congratulated the Security Council on its decision to intervene in the internal affairs of Iraq to save the Kurds.

Indeed, when people are in danger anywhere in the world, no one has a right to pass by on the other side. It becomes a moral obligation on every one of us to intervene as best we can.

This comment was adapted from a lecture Mr. Annan gave Friday at the Ditchley Foundation.

## Act Now to Save Kosovars

By Lionel Rosenblatt and Larry Thompson

WASHINGTON — More than 12,000 refugees from Kosovo have struggled over the mountains into northern Albania, driven by continuing attacks by Serbian military forces.

Refugees we talked with last week in the remote border area of northern Albania described attacks against their villages in Kosovo by Serbian military and police units and artillery barrages. They also told of attacks by fixed-wing aircraft and helicopter gunships.

These attacks are eerily reminiscent of those conducted with impunity by the Serbian forces in Bosnia until force was finally used to stop them in 1995. Our recommendation is that the international community heed the most important lesson of Bosnia: Early action saves lives. The international community must confront Yugoslavia with a credible threat of force if the killing and persecution of Kosovo civilians are to be halted.

Essentially, when the full horror of Serbian behavior is revealed to be just as monstrous as in Bosnia, the world will react. But by then, many more lives will have been lost and it will take a huge amount of aid to restore the status quo.

If Serbian forces move against Djakovica, the humanitarian and political consequences in Kosovo will be far graver than anything we have seen. Djakovica has a population of about 50,000, now swollen with perhaps 25,000 refugees from outlying areas.

One complication is the argument

that even if NATO is willing to intervene, the UN Security Council must approve any use of force. But this should not prevent action to stop genocide or crimes against humanity.

Meanwhile, in Albania, a powerful story is unfolding. The Albanian townspeople of the Tropoje district bordering Kosovo are lining up to volunteer to care for refugee families. There are no camps, because the refugees are housed in local homes, often outnumbering their host families. This show of hospitality is the most remarkable we have seen in a quarter century of refugee work.

Potential damage to local markets could lead to increased tension with the refugees. But with rapid and astute international assistance, there is an opportunity to provide relief that also meets the needs of the local populace.

This is not an easy challenge, especially for UN agencies whose expertise is focused on relief in traditional emergencies where refugees are in camps.

The leadership of the secretary-general is vitally needed. With effective coordination from the UN and donor governments, Albania can become a model for coordinated assistance.

Mr. Rosenblatt, president of Refugees International, and Mr. Thompson, a senior associate, have just completed a mission in Albania. They contributed this comment to the International Herald Tribune.

## Clinton Merely Cringed When China Banned Reporters

By Jonathan Mirsky

LONDON — President Bill Clinton is being accompanied by a small army of reporters while he is in China, but the force has already suffered five casualties. Two are from Hong Kong, three from the United States. All five were denied visas by Beijing.

The president's objection to the banning of the American reporters is a small example of his posturing on China.

The five banned reporters represent media hated by the Chinese. One is Apple Daily,

Hong Kong's second-biggest paper, whose owner, Jimmy Lai, insulted Li Peng, then the prime minister, in an editorial. The other is Window, a small magazine that frequently prints articles critical of China.

The three U.S.-based reporters represent Radio Free Asia, a government-financed operation that Mr. Clinton praised recently as an example of his "I'm not soft on China" policy. All three had been given visas

by China to accompany the president; these were withdrawn last week.

Mr. Clinton immediately condemned the withdrawal as "highly objectionable."

"We will protest it," he added. "We hope they will reconsider it."

"How much credit China would have received," Mr. Clinton observed, had it granted visas "to a more diverse group of journalists."

Then came the little cringe that always assures the Chinese government that Mr. Clinton does not mean what he says. The White House advised the banned trio not to board the presidential flight to China.

What else could the president have done? Surely he cannot force the Chinese to give visas to foreigners. And he could hardly have canceled the trip.

Here is what he could have done; it has been done before:

In September 1991, Prime Minister John Major went to China to sign a memorandum of understanding about the construction of the new Hong Kong airport. This was a very sensitive subject.

In 1989, the governor of Hong Kong, Sir David Wilson, announced that a new airport would be built to restore morale in Hong Kong after the shock of the Tiananmen killings.

Beijing reacted angrily, insisting that the new airport represented Western intrusion into Chinese sovereignty. It was only when Mr. Major agreed to go to Beijing to sign the memorandum, a task normally reserved for minor officials, that Beijing agreed to reconsider.

This put Mr. Major in an embarrassing corner: He was about to become the first Western leader to visit Beijing since the brutal suppression of the pro-democracy movement in Tiananmen Square two years earlier, and he endured much the same criticism that Mr.

Clinton received for his trip.

Mr. Major, too, was to be accompanied by reporters, although nothing like the hoard that attend presidential journeys. I was then The Observer's China correspondent and was invited to fly on the prime minister's plane.

When the Chinese saw this list of journalists, they said I would not be given a visa. For years I had been writing articles they disliked and had also gone repeatedly to Tibet, which especially irked them. Two of their diplomats complained to the Foreign Office.

The reply was simple: It is China's responsibility to issue visas, but the prime minister had approved me for his flight. I would therefore fly to Beijing.

When I arrived, it was up to China to decide whether I would be permitted to leave the aircraft and accompany Mr. Major. This was especially notable because The Observer had never missed a chance to attack the Tory government for being soft on China.

The Chinese gave me a visit. What a difference between John Major's robust "This reporter flies with me," and Mr. Clinton's "highly objectionable."

The writer, a former China correspondent of The Observer and East Asia editor of The Times of London, contributed this comment to the International Herald Tribune.

## Coaxing Out Europe's Pariahs

By William Pfaff

PARIS — Since President Jacques Chirac's calamitously miscalculated dissolution of a conservative-dominated government little more than a year ago, putting the left into unexpected power, the French right has exploded.

It is today no more than a congeries of factions. Parties have split or been renamed, but they no longer consistently connect to the real divisions of conservative opinion.

There is, for example, a nationalist and popular right, but one can no longer speak seriously of a Gaullist party. These nationalists criticize federalist programs for Europe and believe in a "Europe of Nations." They also are firmly committed to the egalitarian values of the French Republic and oppose discrimination of immigrants.

That sets them off from the traditionalist right, issued from older monarchist and Pétainist circles, and from Catholic groups hostile to the modern church's liberal social ideas and new liturgy. It is a "France-first" right, fearful of the consequences of immigration.

There is a center-right, whose roots are in the Christian Democratic and Radical parties of the Fourth Republic (the latter grouping a variety of regional, pro-business, and small-government interests). It is pro-European, but tends to be ideologically heterodox on social and immigration issues.

Finally, there is the racist right, which would send immigrants home, even those who are in the country legally, and possibly even those already naturalized. Its support comes largely from the ordinary working people most affected by the presence and

competition of immigrants. The crucial element in its leadership today is radical rather than populist and reactionary (as in the past, under Jean-Marie Le Pen).

Many of these new leaders are avowedly pagan and hold that "Aryan" Europeans are threatened by Jews, Arabs, and Africans. They can correctly be described as fascists.

Until this year, the mainstream parties of both right and left refused to have anything to do with the National Front. They treated the party — and by implication its voters — as pariahs.

This spring, however, some politicians of the center-right went into coalitions with the National Front in regional councils to keep the Socialists out of power. This has been interpreted as a success for the National Front's effort to escape from the political margin.

Now there has been a dramatic initiative by a former Gaullist prime minister and presidential candidate, Edouard Balladur. He has proposed a national commission to examine the question of "national preference." It would hear the arguments of representatives of the National Front, together with everyone else.

Mr. Balladur concedes that France's mainstream parties are unlikely to agree to this, but he argues that it deserves to be done at a European level, since the European Union is moving toward a common policy on immigration.

He therefore proposes to compare the status of foreigners throughout the EU and propose common solutions.

National preference means reserving certain jobs, social benefits, and legal rights to citizens of the nation, to the disadvantage of foreign residents — even those with legal residence and work privileges in the country, who pay taxes and social charges, as do citizens.

Every country does this in some way. Even France reserves government posts for its citizens. Polls find that 69 percent of the French agree with that, but that 68 percent believe there should be no other job discrimination between French nationals and legal immigrants and that 67 percent oppose sending unemployed legal immigrants back to their countries. But 52 percent are against a debate on national preference, no doubt apprehensive about possible consequences.

By legitimizing such a discussion, Mr. Balladur is inviting National Front voters who are not racists to come out of the pariah status that has been imposed on them. The effect of this could be to split the National Front, isolate its fascists, and recuperate for the democratic right a part of its electorate.

In the present disarray of the right, Mr. Balladur is bidding to transcend the inmigration issue by raising it to a nonpartisan and international level as a way to realign the French right along a path that divides conservative but democratic voters from those who oppose the republic and its egalitarian values.

It is an audacious step, and possibly more dangerous than he realizes. But it is the most interesting development in French, and possibly in European, politics in many months.

International Herald Tribune, Los Angeles Times Syndicate.

## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

## 1898: Raid on Spain

WASHINGTON — The most important development in the war came to-day [June 27]. It consisted in the announcement by the Navy Department that a squadron of formidable fighting vessels would be sent across the Atlantic and carry the conflict home to Spain. The President's idea is that so long as the Spanish people believe that the Americans cannot or will not fight, so long as they are fed on news of Spanish victories in Cuba, a movement in the direction of peace will have no chance in Spain.

led to the conviction occurred when two Deputies and a former Deputy were attacked on their way to a meeting called to protest against Fascist methods of violence in France. Mr. Maurras was charged because it was he who had given out instructions to use violent means to prevent the attacked speakers from going to their meetings.

## 1948: Berlin Airlift

BERLIN — The British, with American support, demanded that the Russians lift the blockade that threatens hunger for the German population in the western sectors of Berlin. Plans were completed for the inauguration of an unexpectedly extensive air supply service, to bring food and air supply will play an important role, the air pipeline cannot possibly provide enough food and coal for 2,200,000 Germans in the western sectors.

## 1923: Royalist Jailed

PARIS — Mr. Charles Maurras, leader of the "Camelots du Roy," which has taken to Fascist methods in its campaign against radical elements in France, was sentenced to four months' imprisonment. The events which

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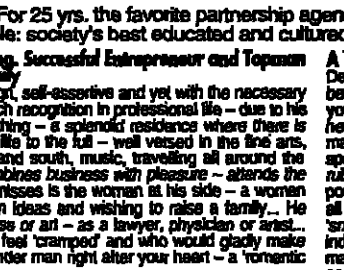
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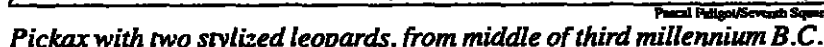
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**Politics of Power Struggle in**

**W**HAT happened between the 19th century B.C. and the 13th century, when a unique style associating linear stylization and an irrepressible sense of fun blossomed, is anyone's guess. Two axes with blunt spikes at the back are inscribed, one with the names of an *Elamite* king (Shilhak Inshushinak 1165-1151 B.C.), the other with the name of *Nebochadnazzar* I of Babylon (1124-1103 B.C.). But the type is unknown to Elam and Babylon. Do such names point to political alliance? Or



**H**OW it all ended can only be surmised. Horse bits appeared almost certainly in connection with the growing number of Iranian groups. The earliest are in the comic-strip vein dear to the Lorestan artist as in a piece with mountain goats and winged quadrupeds dancing a jig. The latest, straightforwardly figural, represent horses, boars and winged bulls. Some are joined back to back as in the north Iranian bronzes from the Caspian Sea sites or, centuries later, as on the huge stone capitals at Persepolis. The enigmatic culture of Lorestan (and of Elam) slowly blended into the Iranian world. Like China in the Far East, Iran had become the pole of attraction, the artistic model for the entire area.

[illegible]

*"Mosaic of Street Musicians," left, and "Victory With Tripod," both from Pompeii*

Except, of course, in a case like that of Pompeii in 59, when the spectators started killing each other.

But given the decade-long suspension that earned Pom-

old on the terrible upheavals  
that shook much of the world  
in the first half of this century.  
in the name of

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ART

# Politics of Opera

## Power Struggle in Shanghai

By Seth Faison  
New York Times Service

**S**HANGHAI — Just as President Bill Clinton arrived to a colorfully choreographed welcoming ceremony in Xian, a remarkable drama about a different strand of U.S.-Chinese relations was wrapping up at Shanghai International Airport.

In a seedy-looking departure lounge, Nigel Redden, director of the Lincoln Center Festival in New York City, sat down for a final talk with the director of Shanghai's Bureau of Culture, Ma Bomin, who had blocked the classic Chinese opera "The Peony Pavilion" from going to the festival in time for its scheduled opening July 7.

Redden's flight was scheduled for 7:40 P.M., and he was informed in the late afternoon that Ma would go to the airport to see him off, because she had something to say.

At 7 P.M. in the bar, Ma informed Redden that her bureau was now willing to compromise on the matter that kicked off this whole drama a week ago: blocking the shipment of elaborate sets, costumes and props. The shipment, Ma said, could now proceed.

Redden, suspicious after days of fruitless negotiations, quickly asked a pertinent question: What about the actors? Would they be allowed to go too? No, Ma said with a grimace, the actors of the Kunqu Opera Company would not yet be allowed to perform, as she had said over and over, unless the opera was fully restaged to fit the government's guidelines.

Costumes, but no actors. Perfect. So a high-profile example of cultural exchange between the United States and China lay in ruins at precisely the time Chinese and American officials are most eager to clear away unnecessary conflict.

To an arts executive like Redden, it is stunning that the Chinese authorities would want to prevent any ancient Chinese opera from being performed in New York (especially since Lincoln Center is paying). But it became clear in recent days that officialdom here was not against "The Peony Pavilion" so much as one particular official was, and her name is Ma.

Ma's comments suggest that some petty political motives — power over artistic troupes, professional jealousy, the right to censor — may play as big a role as the artistic objections she cited, complaining that the work was a national treasure that needed to be protected from unorthodox interpretations.

And the reluctance of any higher Chinese authority to rein her in suggests that she wields considerable political clout.

At the airport Thursday evening, Redden began to let his frustration show after making so little headway in negotiations, particularly when Ma, a former opera singer, tried to tell reporters who had been hastily assembled that her compromise showed how her bureau had been so flexible in these talks.

"There has been no flexibility at all," Redden protested. "I've been here since Monday, and have been met with no cooperation whatsoever."

**A**FTER Redden left, Ma turned to the reporters again and made another pitch: Maybe Lincoln Center would accept a safer version of "The Peony Pavilion," one that was simpler to stage, that used none of the innovative techniques of Chen Shi-Zheng, the director hired by Lincoln Center, whom Ma, to put it mildly, does not like.

"We have already started rehearsing," Ma said, brightening. "We could certainly take it to Lincoln Center in time for their festival."

Chen, dejected by the opera's demise, lamented that bureaucrats like Ma seemed to have no sense that a serious arts festival like Lincoln Center's actually valued artistic integrity and vision and would not simply slap in a replacement performance by another troupe if the original was blocked.

"You know, 'The Peony Pavilion' itself is about pursuing a dream, and how you need it to survive," said Chen, who left China in 1987 and became an American citizen.

Musing about his own dream of staging the opera in its original and full 55-act, 20-hour form, he said, "In China today, it is so clear, that kind of spirit is not allowed to live."

# World of Learning and a Virtual Library

By Barry James  
International Herald Tribune

**M**ONS, Belgium — Outside specialist circles, few have heard of Paul Otlet, a visionary Belgian who sought to put all human knowledge on 3-by-5-inch library cards in a temple of learning that he called the Mundaneum.

Yet, as a new museum in Mons shows, Otlet's century-old concept prefigured the Internet.

Rescued from neglect, the Mundaneum has found a permanent home here in a converted 1930s department store and annexes for research and storage. Boxes crammed with the tons of documents and publications collected by Otlet and his followers fill about 6 kilometers of shelf space, awaiting classification. Vast iconographic resources, including hundreds of thousands of posters, postcards and glass photographs, remain largely unexplored.

"It will take us more than 100 years just to sort out and scan the newspapers into computers," said Daniel Lefebvre, an archivist.

Otlet appears to have been the first to realize that information exists independently of the medium that contains it and that any artifact can be considered a primary source. Today, the stretching of the concept of a document to embrace a wide range of sources and experiences has become a guiding principle of Internet communication.

Otlet also realized the importance of associating different strands of information to connect what is known to what is potentially known. On the Internet, this is known as hyperlinking, or the ability to move from one idea to another by clicking on a link in a document or picture.

In the 1930s, Otlet predicted that "electric telescopes" would enable users to consult books stored in distant libraries. He envisaged that people would read texts on screens. He thought that machines would one day be used to retrieve data reduced to their analytical elements — was he thinking of digitalization? Otlet also had a notion of multimedia that even now is ahead of its time. He thought that touch, taste and smell as well as sounds were valid information sources.

He helped mold modern library science. He introduced the standard microfiche and in 1934 wrote "A Treatise on Documentation" that remained the standard reference work until the advent of electronic information storage and retrieval.

Various moves over the years and the destruction of parts of the collection have robbed Otlet's filing system, which once contained more than 12 million cards, of any unity it may once have had. He pleaded for the Mundaneum to be kept intact, but 70 tons of material were destroyed in 1970, followed by a further 23 tons in 1980 and six containers full in 1993.

The designers of the museum faced the challenge of how to convert the hundreds of battered, dusty filing cabinets packed with cards full of arcane and disjointed knowledge into an exhibition that would attract

the nonspecialist public. They have created a phantasmagoric library, with a revolving, four-meter-high globe, a telescope, printing press, Linotype and time-worn wooden desks. At one point, cards spill out of their cabinet in an artful display suggesting the chaotic state of the collection.

Just inside the door is a re-creation of Otlet's office, a jumble of books, papers, a battered typewriter, an old top hat. Otlet did not believe in keeping a tidy desk — pictures show his bearded visage peeping over disorderly ramparts of paper.

This juxtaposition of order and chaos forms a backdrop for an examination of Otlet's ideas, times and

campaigner, promoting the principle of international arbitration that led to the creation of a world court in The Hague, work for which he received the Nobel Peace Prize in 1935. Otlet was equally committed to peace, all the more so after his son was killed in World War I.

The universal exposition in Belgium in 1910 caused Otlet to ask why such ephemeral examples of international goodwill should not become a permanent fixture, and he began badgering the Belgian government to provide a home for his huge card index and collections.

A meeting with the Norwegian sculptor Hendrik Christian Andersen led Otlet to form an even grander ambition. Andersen worked with a team of about 30 architects to elaborate his grandiose plan for a city of the intellect, distinguished by a 320-meter "tower of progress." Otlet proposed that the Mundaneum should become the intellectual hub of such a city, which would be the headquarters of a future society of nations. Several sites were considered, including Tervuren, just east of Brussels, the Hague and Lakewood, New Jersey.

The war made the Belgian government receptive to Otlet's proposals. In 1919, it turned over to him a wing of the Palais du Cinquenaire in Brussels. However, the victorious powers decided to build the society or League of Nations not in Tervuren as Otlet hoped, but in Geneva.

Later Le Corbusier, after failing in his bid to design the Palace of Nations in Geneva, drew up plans for the great city project. Otlet remained obsessed by the idea until his death in 1944.

Meanwhile, the Belgian government had long lost patience with the Mundaneum. In 1924 it required Otlet to give up much of his space to make way for a temporary exhibition by the rubber industry.

In 1934, the Mundaneum was closed, although the collection remained in place until German troops threw it out to make way for an exhibition of Nazi art. The Mundaneum moved to cramped quarters at the Parc Lexpold in Brussels and subsequently to a succession of temporary storage places, ending up in a parking garage from which Belgium's Francophone community government rescued it.

**O**VER the years, volunteers continued to add to the collection, although without a coherent intellectual vision. Now the director of the Mundaneum, Jean-Francois Fugé, hopes to re-create the Mundaneum as a research center by capitalizing and building on those aspects of the collection that reflect the interests of its founders: pacifism, feminism, socialism and anarchism.

The Mundaneum, which Le Corbusier described as a panorama of "the whole of human history from its origins," was undoubtedly the first attempt to create a virtual library.

But only now does technology hold out the promise of turning that vision into reality.



Paul Otlet, left, with some of his collaborators in 1937.

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The 2,600 most traded stocks of the day.  
Nationwide prices not reflecting late trades elsewhere.  
*The Associated Press.*

[illegible]

**International Herald Tribune**  
to  
**Lombard Odier & Cie**

Continued on Page 14

هَذَا مِنْ الْأَصْلِ



## Venezuelans Feel the Bite Of Poverty

As Economic Reforms  
Take Hold, Prices Rise  
And Inflation Is High

By David Paulin  
Special to the Herald Tribune

CARACAS — Like many Venezuelans, Dilia Ferreira and her family, residents of one of the city's hillside slums, are eating less and have trimmed their already meager household budget.

They have been hard hit by free-market reforms that the government contends will eventually rev up the economy and tame soaring inflation, the highest in Latin America in recent years.

Poverty has been spreading in this South American nation of 22.6 million, despite a 5.1 percent increase in economic growth last year. That growth was led by a booming oil economy as Venezuela became the major petroleum supplier to the United States.

Now, depressed oil prices and rising prices are putting the government under increased pressure to maintain living standards, while following through on economic reforms.

According to Datamasis, a Caracas research firm, 76.2 percent of Venezuelans are poor: unable to afford the entire Venezuelan basket of food, goods and services.

This underscores the grim reversal of fortune Venezuela has suffered since the mid-1970s, when high oil prices earned it the nickname "Saudi Venezuela." Back then, even maids could afford occasional shopping trips to Miami, many wistfully recall.

Now, 96.4 percent of Venezuelans earn an average of \$234 a month. That figure, from Datamasis, groups together the poor with what's left of a middle-class, 20.2 percent of the population.

Recently, the International Monetary Fund sent a high-level delegation here led by the fund's head, Michel Camdessus, who said that Venezuela's economic reforms — including the dismantling of price controls, privatization of inefficient state industries and steep increases in the price of gasoline — were on track.

That meant little to Mrs. Ferreira and her family, however. "Things are



Hugo Chavez, the candidate giving Venezuelan executives the jitters.

hard," said the 57-year-old maid. "We're eating less meat and lots more pasta, rice, beans and lots of arepas," or corn muffins.

She lives with her husband, Dagoberto, and one of their two daughters in a low-income and shantytown area called Catia.

The surge in poverty followed the lifting of currency exchange and price controls starting in April 1996. They had angered businessmen and foreign investors, who were unable to set their own prices, easily buy dollars and repatriate their profits.

### ECONOMIC SCENE

Now, many investors have returned to Venezuela, a positive sign that the economy is on track, say free-market advocates. However, prices for housing, medicines, goods and services have risen sharply and, in many cases, are hitting U.S. levels.

In response, the Ferrerases and millions of other poor Venezuelans have grown increasingly angry over their inability to make ends meet, a problem they attribute to the new economic policies.

This December, they plan to vent their anger when the country elects a president. The Ferrerases will vote for Hugo Chavez, 43, a militant nationalist and political observer the jitters.

Six years ago, Mr. Chavez, an army lieutenant colonel, led a bloody but unsuccessful military coup three years after nationwide "price riots" were triggered by increases in his fares.

His attempt, and a second, several months later, derailed painful free-mar-

ket reforms then being implemented by President Carlos Andres Perez.

Mr. Chavez spent two years in prison before he was pardoned by the current president, Rafael Caldera, in a politically popular move.

After founding the Fifth Republic Movement, Mr. Chavez favors business suits to the beret that was his trademark.

Last April, he pulled ahead in the polls. If Mr. Chavez is elected, his critics fear, he will reimpose populist, statist and inward-looking policies that, they contend, are responsible for the country's economic mess.

More ominously, they say, Mr. Chavez may even unleash a politics of vengeance against mainstream politicians and the upper class, 3.6 percent of Venezuelans.

Recently, Mr. Chavez proposed mandatory life sentences for those convicted of large-scale corruption — a favorite way for officials and political insiders to become wealthy overnight.

In a recent investment report, Merrill Lynch & Co. noted that the prospect of a Chavez presidency was making local business leaders "very nervous."

Merrill Lynch, however, carries little weight in Venezuela's grim and crime-ridden slums and low-income areas, where most people live and where Mr. Chavez often campaigns.

"Chavez can move the country forward and is the hope of the poor," insisted a Ferreira daughter, Elena, 26.

In some respects, many Chavez supporters are like the Ferrerases family, which lives in a ramshackle house in a shantytown area.

Twenty years ago, they appropriated

See VENEZUELA, Page 15

## EU Agrees to Cut Farm Subsidies

Pact Aims to Trim 'Grain Mountain' by Doubling Area Left Fallow

By Barry James  
International Herald Tribune

BRUSSELS — After four days of contentious talks, European Union agriculture ministers reached agreement early Friday on a wide-ranging package of agricultural reforms aimed at trimming Europe's bulging farm subsidies.

Chief among the policy reforms was a decision to double the amount of arable land taken out of cultivation to avoid the buildup of a new grain mountain.

But some analysts said that compromise fell short of the root and branch reforms to the EU's Common Agricultural Policy that will become necessary to rein in subsidies as the 15-nation bloc takes in countries in Eastern Europe with large rural populations.

The EU agriculture council also adopted three other major reforms for bananas, olive oil and tobacco.

In addition, it agreed to cut subsidies to hemp growers in an effort to curb a massive increase in production that has been fueled by the illegal cultivation of marijuana and has led to more than \$30 million in subsidies last year.

Jack Cunningham, the British minister, said the deal on grain prices and production was "the most significant" in years. The talks were led by Britain as the current holder of the revolving EU presidency.

The ministers agreed to take out of production 10 percent of the land used to grow grain or oilseeds — up from 5 percent this year — in an attempt to lift

prices and reduce the amount of money the EU spends to buy up surpluses.

Officials said the measure would double the amount of land left fallow to about 1.5 million hectares (3.7 million acres), and reduce grain and oilseed production by 8 million tons in the coming year. Grain production this year is expected to be about 201 million tons, with estimated stockpiles totaling 15 million tons. Officials said this could rise to 30 million tons within less than two years unless action is taken to reduce overproduction.

Under rules agreed with the World Trade Organization, the EU cannot subsidize the export of its surplus wheat, which is more expensive than the world price. It therefore needs to take more land out of cultivation in order to keep production in line with the requirements of the market.

The EU began setting aside arable land in 1992 in an attempt to reduce grain mountains. Farmers receive a compensating income to leave land fallow, or a guaranteed minimum price for grain they cannot sell on the open market.

This year's price-fixing talks were almost derailed by a Spanish refusal to accept any changes until other countries agreed to make more money available to subsidize the production of olive oil.

The ministers agreed on a compromise that is unlikely to please Spanish farmers, tens of thousands of whom have taken to the streets to contest the proposed economies.

The European Commission, the EU's

executive body, had sought to reduce olive oil production to drive up prices and reduce subsidies. The amount of fraudulent subsidy claims in this sector are believed to be high.

The ministers decided on an overall quota of 1.777 million tons, attracting more than \$2.3 billion in subsidies.

The compromise with Spain opened the way to an overall farm deal that also resulted in a slightly less protectionist arrangement on banana imports intended to avert a trade dispute with the United States, which earlier this week threatened retaliation over the issue.

The ministers agreed to increase the import quota of so-called "dollar bananas" grown in Latin America and marketed by U.S. companies such as Chiquita Brands International and Dole Food Co.

The EU has sought to protect its own growers in the Caribbean and Canary Islands, where production costs are higher than in Latin America, as well as from producers in the former colonies forming the Asia, Caribbean and Pacific group.

It set a duty-free quota of \$7,700 tons from these areas, as well as approving subsidies for growers in the Canary Islands, Madeira and French Caribbean possessions. At the same time, the EU will allow imports of 2.5 million tons of so-called dollar bananas from Latin America at a tariff of 75 Euros a ton.

Franz Fischler, the commissioner in charge of agriculture, said this agreement would enable the EU to defend its position at the World Trade Organization.

## Bank Merger Talks in Japan May Offer Showcase for Tokyo's Rescue Strategy

By Sheryl WuDunn  
New York Times Service

TOKYO — Long-Term Credit Bank of Japan said Friday it was in negotiations to merge with a smaller, stronger financial institution in a move that would turn the new bank into a showcase for the government's first blueprint for cleaning up Japan's bad debt.

If it goes through, the deal would create one of the nation's largest institutions, with \$316 billion in assets, slightly behind Chase Manhattan Corp., with \$366 billion. It would also likely end several weeks of worries that financial troubles at Long-Term Credit Bank could spread and endanger financial stability in Japan, which already is suffering from a recession, a weakening currency and a jittery stock market.

"We have a bit of a crisis of confidence in the financial system, and confidence needs to be restored," said James Fiorillo, an analyst at ING Barings.

The deal would effectively mean that the smaller bank, Sumitomo Trust & Banking Corp., with \$118 billion in assets, would absorb Long-Term Credit Bank, the nation's tenth-largest financial institution.

Koichi Kato, secretary general of the governing Liberal Democratic Party, welcomed the merger plans, although he denied reports that party leaders had been involved in brokering a deal.

The merger would offer a timely opportunity for the government to put in practice its "Total Plan," which is aimed at tackling the nation's \$600 billion in bad debt at the banks.

Prime Minister Ryutaro Hashimoto said Friday he endorsed the idea of setting up a "bridge bank" to assume the loans and clients of a failed institution and asked that plans be drawn up as soon as possible.

The deal between Sumitomo Trust and Long-Term Credit Bank is still uncertain, and news reports of the discussions prompted the banks to call separate late-night press conferences to announce that talks are taking place. Sumitomo Trust executives suggested Friday that the bank was interested in becoming a "global player."

Bankers and analysts say that Long-Term Credit Bank had been having a hard time securing funds in the inter-bank on a daily basis. On Friday, the bank said it met routine repayments on five-year and one-year debentures, worth roughly about \$2.8 billion. Long-Term Credit Bank's president, Katsumobu Ohnogi, insisted that the bank was "not insolvent."

But analysts say that some foreign financial institutions concerned about the bank's financial health were not eager to continue purchasing the bank's debentures. Moreover, such concerns make the bank highly vul-



Atsushi Takahashi, president of Sumitomo Trust, taking his seat at a Tokyo press conference on Friday.

## GM Strike's Costs Ripple Across U.S.

By Keith Bradsher  
New York Times Service

FLINT, Michigan — A strike at two General Motors parts factories here, which started as local disputes over work hours and equipment investments, is producing economic effects that are slowly rippling out across North America.

The GM strike has now surpassed the production lost in the strikes two years ago that began at brake-making plants in Dayton, Ohio, and has become the costliest labor dispute in the auto industry since a two-month national strike against GM in 1970.

Private economists are beginning to shave back their estimates of the annualized growth rate of the nation's economic output during the second quarter. Before the strike, the consensus was that the economy would expand at about a 3 percent annual rate, but experts are now expecting that to be more like 2.5 percent.

GM is the nation's largest company, and its North American operations account for about 1.5 percent of the nation's economic output, according to the Commerce Department.

The first effects were felt in Flint as soon as the strike began, because GM accounts for more than half the business and taxes here.

When 3,400 workers went on strike at a metal-parts stamping factory June 5, nearby restaurants lost half their business immediately.

The next ripples came over the last two weeks as GM closed 26 of its 29 assembly plants in North America and curtailed production at nearly 100 parts factories. These factories have temporarily laid off 147,900 production workers, including 10,400 in Canada and 32,000 in Mexico, which is approaching half the company's North American work force.

The Labor Department announced Thursday that first-time claims for unemployment jumped 10.3 percent last week in the United States, the first of many economic indicators likely to reflect the strike's effects.

Now these effects are reaching across the country, into communities and states where the auto industry has been less visible than here in the industrial Midwest.

ITT Industries Inc. has laid off 1,200 workers at a windshield-wiper factory in Rochester, New York. Lear Corp. has laid off 2,800 employees at car-seat factories from Delaware to Texas. And Harvard Industries Inc. has laid off 900 of the 1,250 workers at its factories in Churchill, Tennessee, Wytheville, Virginia, and Newfields, New Hampshire.

The economy has rebounded sharply after previous GM strikes, as auto workers put in overtime to make up for lost production, and the economy is likely to rebound this time, too, government and private economists said.

With growing signs that the strike will not be settled during GM's annual summer shutdown in the first two weeks

of July — and with the likelihood that it will take two or three weeks for factories to reopen after a settlement — economists are also reconsidering their growth forecasts for the third quarter.

Paul Ballew, the Federal Reserve's expert on the auto industry for many years and now the chief economist at I.D. Power & Associates, a consulting firm, said that economic growth could drop by as much as 0.7 percent in the third quarter if the strike lasts into August, as leaders of the United Auto Workers union threatened this week.

The lost production might not be recouped until the end of the first quarter of next year, because it is difficult to make up for lost production during the autumn, when new models are being introduced, he added.

William Strauss, a senior economist at the Federal Reserve Bank of Chicago, said that while the strike's effects might be temporary, it could have a slight but longer-lasting influence on increased inflation.

Price wars and discount coupons, spurred by a glut of late-model used cars and the dollar's strength in currency markets (making imported cars and car parts cheaper), have pushed down new-vehicle prices by nine-tenths of a percent in the last 12 months.

This has helped to restrain inflation because new-car prices make up 5.1 percent of the Consumer Price Index. GM still holds nearly a third of the U.S.

See GM, Page 15

### CURRENCY & INTEREST RATES

Cross Rates									
	\$	£	DM	FF	¥	₹	₪	₪	₪
Australian	1.28	1.35	1.32	0.33	0.14	—	—	—	—
Brussels	37.15	6.85	36.24	6.82	2.07	—	—	—	—
Frankfurt	1.78	—	—	—	—	—	—	—	—
London (to)	1.63	—	—	—	—	—	—	—	—
Madrid	162.77	254.50	164.80	253.30	6.41	—	—	—	—
Milan	173.25	264.80	167.30	254.30	6.41	—	—	—	—
New York (to)	—	—	—	—	—	—	—	—	—
Paris	6.55	16.65	16.55	—	—	—	—	—	—
Tokyo	145.6	238.1	72.7	23.2	8.84	—	—	—	—
Taipei	14.88	24.04	8.15	13.2	—	—	—	—	—
Zurich	1.55	1.55	1.55	—	—	—	—	—	—
ECU	1.66	6.55	1.57	6.55	1.57	—	—	—	—
1 SDR	1.30	6.78	1.59	6.4	6.4	—	—	—	—

*Costings in Amsterdam, London, Milan, New York, Paris and Zurich, taken in other currencies.*  
*Yoriko rates of J.P.M.*  
*To buy one pound is: To buy one dollar: Units of 100; N.L.G. not quoted; N.A.: not available.*  
*To buy one pound is: To buy one dollar: Units of 100; N.L.G. not quoted; N.A.: not available.*

Other Dollar Values									
Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$
Argentine peso	1.20	Hong Kong	30.42	Mex. peso	8.955	S. Afr. rand	5.7125		
Australian dollar	1.28	Hong Kong	7.748	Mex. peso	1.9569	S. Afr. rand	1.384.50		
Brussels franc	12.64	Hong Kong	21.704	Norw. krone	2.827	Taiwan dollar	7.8886		
Canadian dollar	1.25	Indian rupee	46.25	Polish zloty	3.47	Thailand baht	34.55		
Chilean peso	82.954	Indian rupee	46.25	Port. escudo	184.15	Turkish liras	284.105		
Czech koruna	23.82	Indian rupee	0.7161	Roma rial	6.154	Yugoslav dinar	54.610		
Dutch guilder	6.5527	Indian rupee	3.6685	Swiss riyel	2.00				
East German mark	1.34	Korw. dollar	0.305	Sing. \$	1.6895				
Fin. markka	5.445	Mex. peso	4.04						

Forward Rates									
Currency	30-day	60-day	90-day	Currency	30-day	60-day	90-day		
Argentine peso	1.6674	1.6674	1.6616	Japanese yen	14.115	14.049	139.87		
Canadian dollar	1.4541	1.4541	1.4541	Swiss franc	1.5107	1.5059	1.5015		
Central dollar	1.7571	1.7571	1.7688						
Dutch guilder									

*Sources: ING Bank (Amsterdam); Citic Investment Bank (Brussels); Banca Commerciale Italiana (Milan); Citic Investment Bank (Tokyo); Mitsubishi Bank (Tokyo); Royal Bank of Canada (Toronto).*

Libid-Libor Rates									
	Dollar	D-Mark	Swiss	French	Yen	ECU			
1-month	5.50	5.50	5.50	5.50	5.50	5.50			
3-month	5.50	5.50	5.50	5.50	5.50	5.50			
6-month	5.50	5.50	5.50	5.50	5.50	5.50			
9-month	5.50	5.50	5.50	5.50	5.50	5.50			
12-month	5.50	5.50	5.50	5.50	5.50	5.50			

*Sources: Reuters, Lloyd Bank.*  
*Rates applicable to interbank deposits of \$1 million minimum (or equivalent).*

Key Money Rates									
	United States	Today	Prev	Britain					
Discount rate	5.00	5.00	Bank base rate	7 1/2	7 1/2				
Prime rate	8 1/2	8 1/2	Call money	7 1/2	7 1/2				
1-month T-bill	5.50	5.50	1-month interbank	7 1/2	7 1/2				
3-month T-bill	5.50	5.50	3-month interbank	7 1/2	7 1/2				
6-month T-bill	5.50	5.50	6-month interbank	7 1/2	7 1/2				
1-year T-bill	5.50	5.50	1-year Gilt	5.86	5.86				

Money Rates									
	3-month	1-year	3-year	5-year	10-year	15-year			
Discount rate	5.00	5.00	5.00	5.00	5.00	5.00			
Prime rate	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2			
1-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
3-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
6-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
9-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
12-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			

Money Rates									
	3-month	1-year	3-year	5-year	10-year	15-year			
Discount rate	5.00	5.00	5.00	5.00	5.00	5.00			
Prime rate	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2			
1-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
3-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
6-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
9-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
12-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			

Money Rates									
	3-month	1-year	3-year	5-year	10-year	15-year			
Discount rate	5.00	5.00	5.00	5.00	5.00	5.00			
Prime rate	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2			
1-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
3-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
6-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
9-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
12-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			

Money Rates									
	3-month	1-year	3-year	5-year	10-year	15-year			
Discount rate	5.00	5.00	5.00	5.00	5.00	5.00			
Prime rate	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2			
1-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
3-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
6-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
9-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
12-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			

Money Rates									
	3-month	1-year	3-year	5-year	10-year	15-year			
Discount rate	5.00	5.00	5.00	5.00	5.00	5.00			
Prime rate	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2			
1-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
3-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
6-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
9-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
12-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			

Money Rates									
	3-month	1-year	3-year	5-year	10-year	15-year			
Discount rate	5.00	5.00	5.00	5.00	5.00	5.00			
Prime rate	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2			
1-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
3-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
6-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
9-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
12-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			

Money Rates									
	3-month	1-year	3-year	5-year	10-year	15-year			
Discount rate	5.00	5.00	5.00	5.00	5.00	5.00			
Prime rate	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2			
1-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
3-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
6-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
9-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
12-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			

Money Rates									
	3-month	1-year	3-year	5-year	10-year	15-year			
Discount rate	5.00	5.00	5.00	5.00	5.00	5.00			
Prime rate	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2			
1-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
3-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
6-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
9-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
12-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			

Money Rates									
	3-month	1-year	3-year	5-year	10-year	15-year			
Discount rate	5.00	5.00	5.00	5.00	5.00	5.00			
Prime rate	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2			
1-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
3-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
6-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
9-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
12-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			

Money Rates									
	3-month	1-year	3-year	5-year	10-year	15-year			
Discount rate	5.00	5.00	5.00	5.00	5.00	5.00			
Prime rate	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2			
1-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
3-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
6-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
9-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
12-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			

Money Rates									
	3-month	1-year	3-year	5-year	10-year	15-year			
Discount rate	5.00	5.00	5.00	5.00	5.00	5.00			
Prime rate	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2			
1-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
3-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
6-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
9-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
12-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			

Money Rates									
	3-month	1-year	3-year	5-year	10-year	15-year			
Discount rate	5.00	5.00	5.00	5.00	5.00	5.00			
Prime rate	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2			
1-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
3-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
6-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
9-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
12-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			

Money Rates									
	3-month	1-year	3-year	5-year	10-year	15-year			
Discount rate	5.00	5.00	5.00	5.00	5.00	5.00			
Prime rate	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2			
1-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
3-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
6-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
9-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
12-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			

Money Rates									
	3-month	1-year	3-year	5-year	10-year	15-year			
Discount rate	5.00	5.00	5.00	5.00	5.00	5.00			
Prime rate	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2			
1-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
3-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
6-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
9-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
12-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			

Money Rates									
	3-month	1-year	3-year	5-year	10-year	15-year			
Discount rate	5.00	5.00	5.00	5.00	5.00	5.00			
Prime rate	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2			
1-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
3-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
6-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
9-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
12-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			

Money Rates									
	3-month	1-year	3-year	5-year	10-year	15-year			
Discount rate	5.00	5.00	5.00	5.00	5.00	5.00			
Prime rate	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2			
1-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
3-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
6-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
9-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
12-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			

Money Rates									
	3-month	1-year	3-year	5-year	10-year	15-year			
Discount rate	5.00	5.00	5.00	5.00	5.00	5.00			
Prime rate	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2			
1-month T-bill	5.50	5.50	5.50	5.50	5.50	5.50			
3-month T-bill	5.50	5.50							











The 1,000 most traded National Market securities  
in terms of dollar value, updated twice a year.  
The Associated Press.

Dr	Ym	PE	SE	High	Low	Latent	Other
1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9
10	10	10	10	10	10	10	10
11	11	11	11	11	11	11	11
12	12	12	12	12	12	12	12
13	13	13	13	13	13	13	13
14	14	14	14	14	14	14	14
15	15	15	15	15	15	15	15
16	16	16	16	16	16	16	16
17	17	17	17	17	17	17	17
18	18	18	18	18	18	18	18
19	19	19	19	19	19	19	19
20	20	20	20	20	20	20	20
21	21	21	21	21	21	21	21
22	22	22	22	22	22	22	22
23	23	23	23	23	23	23	23
24	24	24	24	24	24	24	24
25	25	25	25	25	25	25	25
26	26	26	26	26	26	26	26
27	27	27	27	27	27	27	27
28	28	28	28	28	28	28	28
29	29	29	29	29	29	29	29
30	30	30	30	30	30	30	30
31	31	31	31	31	31	31	31
32	32	32	32	32	32	32	32
33	33	33	33	33	33	33	33
34	34	34	34	34	34	34	34
35	35	35	35	35	35	35	35
36	36	36	36	36	36	36	36
37	37	37	37	37	37	37	37
38	38	38	38	38	38	38	38
39	39	39	39	39	39	39	39
40	40	40	40	40	40	40	40
41	41	41	41	41	41	41	41
42	42	42	42	42	42	42	42
43	43	43	43	43	43	43	43
44	44	44	44	44	44	44	44
45	45	45	45	45	45	45	45
46	46	46	46	46	46	46	46
47	47	47	47	47	47	47	47
48	48	48	48	48	48	48	48
49	49	49	49	49	49	49	49
50	50	50	50	50	50	50	50
51	51	51	51	51	51	51	51
52	52	52	52	52	52	52	52
53	53	53	53	53	53	53	53
54	54	54	54	54	54	54	54
55	55	55	55	55	55	55	55
56	56	56	56	56	56	56	56
57	57	57	57	57	57	57	57
58	58	58	58	58	58	58	58
59	59	59	59	59	59	59	59
60	60	60	60	60	60	60	60
61	61	61	61	61	61	61	61
62	62	62	62	62	62	62	62
63	63	63	63	63	63	63	63
64	64	64	64	64	64	64	64
65	65	65	65	65	65	65	65
66	66	66	66	66	66	66	66
67	67	67	67	67	67	67	67

[illegible]

項目	金額	備考
一、	100.00	
二、	200.00	
三、	300.00	
四、	400.00	
五、	500.00	
六、	600.00	
七、	700.00	
八、	800.00	
九、	900.00	
十、	1000.00	
合計	5000.00	

Year	1890	1891	1892	1893	1894	1895	1896	1897	1898	1899	1900	1901	1902	1903	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
1890	1891	1892	1893	1894	1895	1896	1897	1898	1899	1900	1901	1902	1903	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	

1. 凡在本行開辦之各項業務，均應遵守本行所定之規章，並應隨時注意本行所發之各項通知，如有違反者，本行得隨時取消其資格，並得向有關機關報告。
 2. 凡在本行開辦之各項業務，均應遵守本行所定之規章，並應隨時注意本行所發之各項通知，如有違反者，本行得隨時取消其資格，並得向有關機關報告。
 3. 凡在本行開辦之各項業務，均應遵守本行所定之規章，並應隨時注意本行所發之各項通知，如有違反者，本行得隨時取消其資格，並得向有關機關報告。
 4. 凡在本行開辦之各項業務，均應遵守本行所定之規章，並應隨時注意本行所發之各項通知，如有違反者，本行得隨時取消其資格，並得向有關機關報告。
 5. 凡在本行開辦之各項業務，均應遵守本行所定之規章，並應隨時注意本行所發之各項通知，如有違反者，本行得隨時取消其資格，並得向有關機關報告。
 6. 凡在本行開辦之各項業務，均應遵守本行所定之規章，並應隨時注意本行所發之各項通知，如有違反者，本行得隨時取消其資格，並得向有關機關報告。
 7. 凡在本行開辦之各項業務，均應遵守本行所定之規章，並應隨時注意本行所發之各項通知，如有違反者，本行得隨時取消其資格，並得向有關機關報告。
 8. 凡在本行開辦之各項業務，均應遵守本行所定之規章，並應隨時注意本行所發之各項通知，如有違反者，本行得隨時取消其資格，並得向有關機關報告。
 9. 凡在本行開辦之各項業務，均應遵守本行所定之規章，並應隨時注意本行所發之各項通知，如有違反者，本行得隨時取消其資格，並得向有關機關報告。
 10. 凡在本行開辦之各項業務，均應遵守本行所定之規章，並應隨時注意本行所發之各項通知，如有違反者，本行得隨時取消其資格，並得向有關機關報告。

1900	1901	1902	1903	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
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# First Loss Since 1923

Completed by the Associated Press

**MELBOURNE —** Broken Hill Pty. on Friday reported only its second loss in a century after writing off a massive \$3 billion Australian dollars (\$1.8 billion) in its asset value.

The steel, mining and oil group, a pillar of the Australian economy, took a deliberate plunge into red ink after dumping to write off almost a sixth of the value of its global asset base to reflect a rough economic clouded by Asia's economic storm.

The massive write-downs wiped out BHP's net earnings before one-time items of 1.3 billion dollars for the year ended May 31, leaving a loss of 1.47 billion dollars.

It ranked among the biggest losses ever reported by an Australian company and was the second in BHP's 115-year history. The company last posted a loss in 1923.

But, far from frightening the market, the board's decision to put more realistic values on some struggling businesses was welcomed by some investors as a badge of courage.

BHP's share prices rose to close at 13.70 dollars, up 10 cents from the Thursday close.

BHP cheered investors to return, saying it could shed about \$2 billion dollars' worth of unvalued assets a year over the next few years. "It would not be an exercise," said BHP's new managing director of Finance, Graeme McGregor.

The write-downs, the biggest in corporate Australia since 1923, will bolster BHP's after-tax profits by 70 million dollars, the current financial year ended by 130 million dollars in the following year, BHP said.

"It's a very, very serious and significant decision for the company but one that can be sold to the market," said McGregor, who said he would not be in the order and get on with the work. "It's a very, very serious decision," said McGregor.

BHP's acting chief executive officer, Richard L. ...

## The Last Struggle

Completed by the Associated Press

**Friday's 4 P.M. Close**

[illegible]

12 Month	High	Low	Stock	On Yr Pct	1889 High	Low	Lowest On
374	100	98	Amalgamated	100	100	98	98
375	100	98	Amalgamated	100	100	98	98
376	100	98	Amalgamated	100	100	98	98
377	100	98	Amalgamated	100	100	98	98
378	100	98	Amalgamated	100	100	98	98
379	100	98	Amalgamated	100	100	98	98
380	100	98	Amalgamated	100	100	98	98
381	100	98	Amalgamated	100	100	98	98
382	100	98	Amalgamated	100	100	98	98
383	100	98	Amalgamated	100	100	98	98
384	100	98	Amalgamated	100	100	98	98
385	100	98	Amalgamated	100	100	98	98
386	100	98	Amalgamated	100	100	98	98
387	100	98	Amalgamated	100	100	98	98
388	100	98	Amalgamated	100	100	98	98
389	100	98	Amalgamated	100	100	98	98
390	100	98	Amalgamated	100	100	98	98
391	100	98	Amalgamated	100	100	98	98
392	100	98	Amalgamated	100	100	98	98
393	100	98	Amalgamated	100	100	98	98
394	100	98	Amalgamated	100	100	98	98
395	100	98	Amalgamated	100	100	98	98
396	100	98	Amalgamated	100	100	98	98
397	100	98	Amalgamated	100	100	98	98
398	100	98	Amalgamated	100	100	98	98
399	100	98	Amalgamated	100	100	98	98
400	100	98	Amalgamated	100	100	98	98
401	100	98	Amalgamated	100	100	98	98
402	100	98	Amalgamated	100	100	98	98
403	100	98	Amalgamated	100	100	98	98
404	100	98	Amalgamated	100	100	98	98
405	100	98	Amalgamated	100	100	98	98
406	100	98	Amalgamated	100	100	98	98
407	100	98	Amalgamated	100	100	98	98
408	100	98	Amalgamated	100	100	98	98
409	100	98	Amalgamated	100	100	98	98
410	100	98	Amalgamated	100	100	98	98
411	100	98	Amalgamated	100	100	98	98
412	100	98	Amalgamated	100	100	98	98
413	100	98	Amalgamated	100	100	98	98
414	100	98	Amalgamated	100	100	98	98
415	100	98	Amalgamated	100	100	98	98
416	100	98	Amalgamated	100	100	98	98
417	100	98	Amalgamated	100	100	98	98
418	100	98	Amalgamated	100	100	98	98
419	100	98	Amalgamated	100	100	98	98
420	100	98	Amalgamated	100	100	98	98
421	100	98	Amalgamated	100	100	98	98
422	100	98	Amalgamated	100	100	98	98
423	100	98	Amalgamated	100	100	98	98
424	100	98	Amalgamated	100	100	98	98
425	100	98	Amalgamated	100	100	98	98
426	100	98	Amalgamated	100	100	98	98
427	100	98	Amalgamated	100	100	98	98
428	100	98	Amalgamated	100	100	98	98
429	100	98	Amalgamated	100	100	98	98
430	100	98	Amalgamated	100	100	98	98
431	100	98	Amalgamated	100	100	98	98
432	100	98	Amalgamated	100	100	98	98
433	100	98	Amalgamated	100	100	98	98

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Friday, spending nearly five months organizing its disgruntled members.

But after 100 years as one of Japan's largest and most influential labor unions, Yamaguchi has failed to draw enough attention to itself to the meeting to allow it to discuss dissolving the company.

Following the unusually long and contentious meeting, Yamaguchi executives will have to consult with financial authorities on how to proceed.

"With regard to our dissolution, we are currently investigating how

## VENEZUELA:

Continued from Page 11

their property and started building two two-bedroom house of cinderblock wood and scrap metal. Water is obtained from a single spigot. A dark hole in the corner of the house serves as a toilet.

In the neighborhood's standard lawver, the Feireiras are well off.

Then floor is concrete, compared to the dirt floors many neighbors have. Terefeira, Mrs. Feireira and her husband, Carlos, are status abundant, bring home an average of about \$5,440 a year.

Much of this is spent on food. The Feireiras never afford decent meat because they are not going hungry although they need it, they say.

Although they are not going hungry, they say they are eating less.

In the past, they could afford to eat meat twice a day. Now, they eat such dishes once a day and feel their vegetables and fruits have become too expensive to buy.

Cafeteria workers with crime, drug gangs and shoot-outs, but at least it is cheap.

## GM: Plant Strike All

Continued from Page 11

car makers, but as it runs low on cash GM is likely to offer fewer discounts to dealer members may follow suit," the Strauss said.

"It's a bleak scenario that we're facing with less competition, where car prices are falling," he said.

The Detroit-based Commerce Department says the auto industry trimmed third-quarter sales by 6 percent point from last quarter's level of economic growth.

Third quarter of 1996 Growth in the auto industry was 14 percent, but the economy slowed to 6 percent growth in the second quarter of that year.

The 1970 strike had a greater effect on the economy than the 1971 strike, which dropped 3.9 percent in the fourth quarter, when the strike occurred.

The 1970 strike had a greater impact on the first quarter.

The 1970 striking workers also lost a week in work.

**MELBOURNE** — Broken Hill Pty. on Friday reported only its second loss in a century after writing off a massive 3 billion Australian dollars (\$1.8 billion) in its asset value.

The steel, mining group, a pillar of the Australian economy, took a deliberate plunge into red ink after discharging its debt after a year of writing off almost a third of the value of its global asset base to reflect a rough month clouded by Asia's economic storm.

The massive write-downs wiped out BHP's net earnings before one-time items of 1.9 billion dollars for the year ended May 31, leaving a loss of \$147 million, down from a profit ranked among the biggest base ever reported by the world's largest company, and was only second in BHP's 113-year history. The company said posted a loss in 1982.

But far from fragmenting the market, the board's decision to put more realistic values on some struggling businesses was seen by some investors as a badge of courage.

BHP's share prices rose 10 cents at 13.70 dollars up 74 cents from the Thursday close. BHP cheered investors to return, saying it could still pay 2 billion dollars' worth of guaranteed assets "in the next several years," he would not see "melancholy," said BHP's new managing director, Graeme McGreggie.

The write-downs, the biggest in corporate Australia, will bolster BHP's short-term profits by 70 million dollars over the current financial year while also adding 130 million dollars in the following year, BHP says.

"This is a very, very significant decision," said McGreggie, who said the company had one that was "completely vital decision." He said so we can get our head back in order and get on with the job."

said Roy McEwen, BHP's acting chief executive officer.

(By Peter J. Brown)

### *The Last Straw:*

**TOKYO** — Japan's leading financial Yamauchi Securities Co. has filed its final shareholding statement Friday, spending nearly five months analyzing its shareholdings and attempting to discourage its shareholders.

But after 100 years in business as Japan's largest and most influential financial institution, Yamauchi Securities is faced to draw enough shareholders to the meeting to allow a vote on dissolving the company.

Following the unusually long and contentious meeting, Yamauchi executives will have to consult with financial associates on how to proceed.

"With regard to our dissolution, we are currently investigating how

**VENEZUELA: Pot**

her property and started building their new home of mud and logs, a two-story house of cinderblocks. A pool and swimming hole is obtained from a single spring. A water hole in the corner of the lease serves as a toilet.

By the neighborhood's standards, however, the Ferreras are well off. Their floors are concrete, compared to the other floors many neighbors have. Teresa, whose address is 10000, and her husband, a carpenter of about 55,440 a year.

Most of this is spent on food. They eat rice and beans, not afford decent medical care, they need it, they say.

Although they are not going hungry, in the city they are eating less.

In the day, they could afford to eat such dishes twice a day. Now, they eat vegetables once a day and feel that expensive fruits have become too expensive to eat.

Cafes and salons with crime, drug gangs and shoot-ups, but at least it is cheap to

GM: Flint Strike Alrea  
Continued

made, but as it runs low on cars, it is likely to offer fewer discounts, and other shoppers may follow suit.

Dr. Strauss said:

"It is a scary scenario that we're going to have less competition, which will drive prices," he said.

According to the Commerce Department, the three strikes trimmed three-quarters of a percentage point from the rate of economic growth in the first quarter of 1996. Growth in that quarter was 1.8 percent, but the economy was slowed by 6 percent growth in the second quarter of that year.

The 1970 strike had a greater effect on the rate of economic growth, which dropped 2.9 percent in the quarter after the strike occurred, but bounced back with an 11.3 percent gain in the first quarter of 1971.

The 2000 striking workers are collecting \$150 a week in benefits.



## ASIA/PACIFIC

## Japanese Individuals Start to Bail Out of Yen

By Sandra Sugawara  
Washington Post Service

TOKYO — Kazuaki Ishii, a 48-year-old manager of a medical supply company, was watching closely Friday as the yen bounced against the dollar, which was around 142 yen. If the dollar gets a bit cheaper, he's ready to pluck down \$7,000 worth of his yen savings and convert it to dollars.

Until recently, it never occurred to Mr. Ishii to put his savings into foreign currency or foreign assets. But with the yen, the stock market and the economy falling, Mr. Ishii is ready to make the plunge. "I am planning to invest in dollars pretty soon," he

said. "I want to see how it goes."

With the weakening yen threatening to destabilize currencies throughout Asia and prolong the region's economic crisis, Japanese authorities have been under intense global pressure to keep the yen steady. They have had to fend off increasingly skeptical currency speculators, who have been pushing the yen down, despite a joint U.S. and Japanese intervention to prop it up.

Now Japanese authorities are worried that an increasing number of Japanese individuals, like Mr. Ishii, and institutional investors, such as domestic insurance companies, are preparing to flee the yen as well. Members of the ruling Liberal

Democratic Party have been discussing the problem, although they say they have no intention of turning back the deregulation clock. "Officially LDP members are discussing measures to control the outflow of currency, but they haven't yet come up with an effective plan," said Minoru Morita, a political commentator.

Mr. Morita said the problem is that their options are limited because they cannot do anything that would appear to be backtracking on Prime Minister Ryutaro Hashimoto's efforts to deregulate the financial markets and transform Tokyo into a world financial center.

Most analysts said it would be

difficult and costly for the government to reimpose currency restrictions, so they do not expect that to happen. But they warned that if Japan does not move quickly to restructure its financial systems — so that investors can get a reasonable return on their investments — the outflow of yen could surge, sending the yen down further.

Right now, individuals can get only about 0.25 percent interest on regular savings accounts. Most stock investors have lost money in the Tokyo markets over the last year. Some Japanese investment magazines have warned that holding yen might be a bad investment because the dollar's exchange rate could climb above 150 yen.

Recent anxieties about the stability of Long-Term Credit Bank of Japan have raised new fears about the stability of the Japanese financial system.

Institutional investors, seeking better returns, are sending more of their money abroad as well. The five largest insurance companies plan to increase their investment in foreign bonds, mainly U.S. Treasury bonds, by \$12 billion this year, according to Nihon Keizai Shimbun, Japan's leading financial newspaper.

The paper also said that in April, the sales of mutual funds by foreign companies here surpassed those of Japanese companies. The performance of foreign mutual funds was helped by the strength of the dollar and the health of the U.S. and European stock markets.

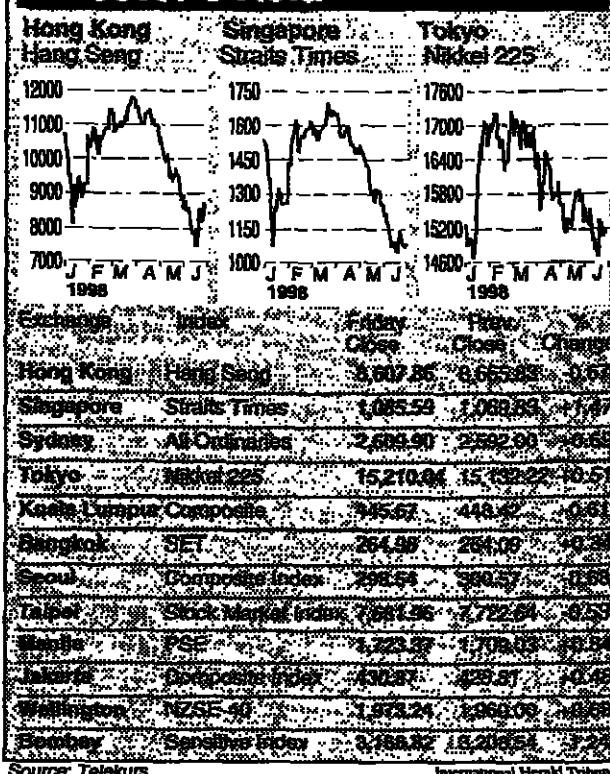
Japanese funds, by contrast, were hurt by the poor performance of markets here. As a result, Japanese mutual funds in May increased the amount of foreign-currency denominated assets they hold to a six-year high of \$31 billion, according to the Investment Trusts Association.

"From April to June, there was a high level of capital outflow from Japan," said Masayuki Kichikawa, senior economist with Nomura Research Institute. If this pace continues, he said, the amount of capital fleeing Japan could surge to \$107 billion this year, he said.

Jesper Koll, Tokyo-based economist with J.P. Morgan Securities, estimates that total purchase of foreign securities by Japanese asset managers will hit \$163 billion in the next 12 months, compared with \$46 billion over the last 12 months. At those levels, capital outflows will be a dominant force driving the yen lower, Mr. Koll said.

But others are skeptical that a great number of Japanese will risk sending their savings overseas.

## Investor's Asia



## Very briefly:

- Interbrew NV of Belgium, the world's fourth-largest brewery, agreed to invest \$250 million to tap into South Korea's \$3-billion beer market, its Korean partner said. Interbrew will use the money to buy a 50 percent stake in a joint venture with Oriental Brewery Co., which is South Korea's second-biggest brewery.
- Export-Import Bank of South Korea, a government bank, said it would lend \$1 billion this year to some of the country's leading industrial groups in a bid to spur exports. It was the first such trade financing plan in nine years. Korean exports fell in May for the first time in five months.
- Moody's Investors Service Inc. was threatened with a lawsuit by the Central Bank of the Philippines over a report alleging that some of its bank examiners are corrupt, unless the U.S. credit-rating company provides evidence to back its findings. A Moody's report contended that the central bank needs more teeth to enforce regulations.
- Moody's cut its ratings for four subsidiaries of Japan's Daiwa Securities Co. and warned further downgrades may follow. The agency cut senior long-term debt ratings of four units, Daiwa America Corp., Daiwa Europe Bank PLC, Daiwa Europe Finance BV and Daiwa Singapore Ltd.
- Proton Bhd., Malaysia's largest carmaker, said profit for the year ended March 31 fell a larger-than-expected 41 percent to 440.6 million ringgit (\$111.1 million) because of lower sales, as consumers stopped buying new cars in a slowing economy.
- Korea Development Bank said ownership for ailing Kia Motors Co. would be decided by the end of August through international bidding. Kia earlier said Ford Motor Co. was interested in increasing its stake in Kia. Ford and its affiliate, Mazda of Japan jointly hold a 17 to 18 percent stake.
- Parmalat Finanziaria SpA, an Italian food company, increased its offer for Australian dairy company Pauls Ltd., to 5.30 Australian dollars a share, valuing the company at 436.5 million dollars (\$262 million).



STARTING OVER — Philippine Airlines pilots reporting to work Friday in Manila after their union ended a three-week strike that had been ruled illegal. They were being treated as new job applicants.

## Acer to License IBM Chip Technology

Compiled by Our Staff From Dispatches

TAIPEI — Acer Inc. signed an agreement Friday with International Business Machines Corp. to license some of the American computer maker's most advanced chip-manufacturing technology.

The agreement is seen as a key step toward turning around the Taiwan computer company's money-losing microchip unit. IBM, the

world's largest computer maker, will transfer its 0.25 micron chip technology to Acer's chip production unit, Acer Semiconductor Manufacturing Inc.

"We think a significant turnaround may take place next year," when the 0.25 micron technology becomes the main chipmaking process used by Acer, said Stan Shih, Acer's chairman.

The Acer unit will use the new technology in its production of computer processors, graphics chips and other chip sets. The company plans to begin mass-producing chips with the technology during the first quarter of 1999.

Acer and other chip manufacturers have suffered from a global price decline. Prices of dynamic random-access memory chips, widely used in personal computers, have tumbled by more than half in the last

six months. The Asian financial crisis has also hit Acer, as competitors in South Korea and Japan have been able to sell their products at lower prices after those countries' currencies plunged. Acer's chipmaking unit posted a loss of 5 billion Taiwan dollars (\$145 million) in 1997.

This month, Acer paid \$120 million to buy out Texas Instruments Inc.'s stake in its chipmaking unit, ending a nine-year link.

The president of Acer Semiconductor Manufacturing, Alex Cheng, said he hoped for further joint development with IBM, saying the partners would "continue discussions to explore other areas for potential cooperation."

But IBM said it was not tempted to buy a stake in the business. (Bloomberg, Reuters)

## BHP Posts First Loss Since 1923

Compiled by Our Staff From Dispatches

MELBOURNE — Broken Hill Pty. on Friday reported only its second loss in a century after writing off a massive 3 billion Australian dollars (\$1.81 billion) in its asset value.

The steel, mining and oil group, a pillar of the Australian economy, took a deliberate plunge into red ink after deciding to write off almost a tenth of the value of its global asset base to reflect a tough outlook clouded by Asia's economic storm.

The massive writedowns wiped out BHP's net earnings before one-time items of 1.3 billion dollars for the year ended May 31, leaving a loss on of 1.47 billion dollars.

It ranked among the biggest losses ever reported by an Australian company and was only the second in BHP's 113-year history. The company last posted a loss in 1923.

But, far from frightening the market, the board's decision to put more realistic values on some struggling businesses was seen by some investors as a badge of courage.

BHP's share prices rose to close at 13.70 dollars, up 19 cents from the Thursday close.

BHP cheered investors further, saying it could sell about 2 billion dollars' worth of unwanted assets a year over several years. "It would not be unrealistic," said BHP's executive director of finance, Graeme McGregor.

The writedown, the biggest in corporate Australian history, will bolster BHP's after-tax profits by 70 million dollars in the current financial year and by about 130 million dollars in the following year, BHP said.

"It is a very, very serious and significant decision for the company but one that's an absolutely vital decision for us to take so we can get the house in order and get on with the future," said Ron McNeilly, BHP's acting chief executive. (Reuters, Bloomberg)

## The Last Straw: Yamaichi Fails to Fold

Compiled by Our Staff From Dispatches

TOKYO — Japan's fallen brokerage Yamaichi Securities Co. held its final shareholders' meeting Friday, spending nearly five hours apologizing to distraught investors.

But after 100 years as one of Japan's largest and most influential brokerages, Yamaichi Securities failed to draw enough shareholders to the meeting to allow a vote on dissolving the company.

Following the unusually long and contentious meeting, Yamaichi executives will have to consult with financial authorities on how to proceed.

"With regard to our dissolution, we are currently investigating how

to proceed," Yamaichi said in a statement distributed after the meeting. It added that in the meantime Yamaichi would continue to reimburse clients who had account balances with the brokerage.

Of the 1.18 billion shares held, the owners of only 473 million shares were at the meeting, a Yamaichi official said. If they side with the company, shareholders can file a petition with a court asking it to put Yamaichi into liquidation, the official said.

Yamaichi, Japan's fourth largest brokerage, closed its doors on March 31 in the country's biggest business collapse since World War II following the discovery of 270 billion yen (\$1.89 billion) in hidden losses.

Of the shareholders who did attend, many expressed sorrow and anger. "We supported Yamaichi by not selling their stock," said Toyoyasu Wada, 70, "but we suffered most."

Yamaichi's president, Shobei Nozawa, said the brokerage had a net loss of 460.3 billion yen in the year ended in March and liabilities exceeded net worth by 22.5 billion yen.

"It was enormously regrettable that we left these results for the last term," he said. "We deeply apologize to you shareholders."

The meeting ended with a vote to approve the earnings report and the appointment of three new auditors. (AFP, Bloomberg)

## VENEZUELA: Poverty Rising as Economic Reforms Take Hold

Continued from Page 11

their property and started building their two-bedroom house of cinderblocks, wood and scrap metal. Water is obtained from a single spigot. A dark hole in the corner of the house serves as a toilet.

By the neighborhood's standards, however, the Ferreris are well off. Their floor is concrete, compared to the dirt floors many neighbors have. Together, Mrs. Ferreira and her husband, a gas station attendant, bring home the equivalent of about \$5,440 a year.

Most of that is spent on food. They can neither save nor afford decent medical care should they need it, they say.

Although they are not going hungry, they say they are eating less.

In the past, they could afford to eat meat or fish twice a day. Now, they eat such dishes once a day and feel that vegetables and fruits have become too expensive to buy.

Cafes are ridden with crime, drug gangs and shoot-outs, but at least it is cheap to

live there. Like most slum dwellers, the Ferreris pay no rent, property taxes or utilities. Residents drain electricity from nearby power lines and haul buckets of water up hillsides or siphon it from water lines. Authorities tolerate these situations.

While the Ferreris may be fed up with economic reforms, economists say the reforms are coaxing Venezuela toward recovery.

In 1996, for example, inflation hit 103.2 percent and the currency, the bolivar, was devalued 61 percent in relation to the dollar. Last year, inflation fell to 37.6 percent, while the bolivar was devalued just 5.8 percent.

This year's goal is 25 percent inflation, but some economists are estimating year-end inflation of at least 38 percent.

Many business people also fear that the bolivar will soon be devalued.

For Mrs. Ferreira and others, however, that only means things are getting grimmer at a slower rate.

Take, for example, food consumption. Compared to three years ago, Venezuelans recently surveyed in a nationwide poll said they were eating 26 percent less food — their consumption having dropped 21 percent in 1996, but 5 percent last year.

Meat, milk, and corn flour registered the biggest declines, reported Datamatrix, which surveyed 1,000 people.

Those figures are supported by production figures provided by food suppliers, according to Datamatrix's president, Jose Antonio Gil Yepes.

One item that is selling well is snack packs of crackers, whose sales are up 13 percent, according to another research firm, Datos Information Resources.

The reason: Venezuelans are eating the snacks "as a filler to fool their stomachs" into thinking they have had a normal lunch or breakfast, according to Datos' executive vice president, Joseph Sandoz.

Sold at local newsstands, the snacks cost about 15 cents each.

## GM: Flint Strike Already Is Costliest in Auto Industry Since 1970

Continued from Page 11

car market, but as it runs low on cars, GM is likely to offer fewer discounts, and other automakers may follow suit, Mr. Strauss said.

"It's a likely scenario that we're going to have less competition, which means higher prices," he said.

According to the Commerce Department, the Dayton strikes trimmed three-tenths of a percentage point from the annualized rate of economic growth in the first quarter of 1996. Growth in that quarter was 1.8 percent, but the economy recovered with 6 percent growth during the second quarter of that year.

The 1970 strike had a greater effect. The annualized rate of economic growth actually dropped 3.9 percent in the fourth quarter, when the strike occurred, but then bounced back with an 11.3 percent gain in the first quarter of 1971.

The 9,200 striking workers are collecting \$150 a week in benefits from the

UAW. Laid-off workers are generally eligible for unemployment benefits of \$250 or \$300 per month, depending on the state.

There are some signs that the layoffs may be reaching a plateau now, at least at GM. After three weeks of laying off thousands of workers each day, GM laid off 1,500 Thursday, mostly auto parts workers in the United States and Mexico.

GM executives asked assembly plant managers on Wednesday morning to send home any "nonessential" maintenance workers at shuttered factories and turn off the power to the machinery to save money on utility bills. But GM officials said Thursday that this would result in very few layoffs.

The current strikes could have a longer-term economic effect if they result in GM closing some of its chronically unprofitable small-car factories in the United States and investing overseas instead.

Donald Hackworth, GM's group vice

president for North American cars, said last week that GM would reconsider its investment plans in the United States if the UAW did not agree to improve productivity.

GM's after-tax losses from the current strikes are approaching \$1 billion, for which the company is not insured. Through Friday, GM will have lost the production of roughly 230,000 vehicles, compared with 180,000 vehicles lost during the Dayton strikes.

The effects of the current GM strike would be even worse were it not for the nation's strong economy, which is making it easier for laid-off workers to find new jobs. Trucking companies are having a very hard time finding drivers, for example, and have been taking out newspaper advertisements and sending recruiters to Flint.

President Bill Clinton has expressed concern about the strike, but has said that the company and the union should settle their disagreements through collective bargaining.

## Rupiah Slides for 3d Day

Bloomberg News

SINGAPORE — The Indonesian rupiah fell for a third day as the revised bailout agreement with the International Monetary Fund failed to bring confidence back in the country's shattered economy.

The rupiah fell 1.2 percent during the day, but closed unchanged, at 14,950 per dollar. Other regional currencies fell, tracking the weaker yen.

"The IMF has only reaffirmed the desperation the Indonesian economy faces," said John Body, the head of foreign exchange sales at ANZ Investment Bank in Singapore. "An economic revival is not going to happen quickly."

Indonesia and the International Monetary Fund agreed Thursday to revisions for the country's \$43 billion international bailout, focusing the new plan on ensuring food supplies to the poor and fixing sick banks.

The IMF has now sharply lowered its forecasts for the Indonesian economy.

## AT THE DINER By Fred Piscop

ACROSS	79	13
1 Conduct, in a way	Hardly a blabbermouth	Toto's creator
6 Innocent	80 Pump, e.g.	14 Masks
10 Pasta or potato, in an aside	81 1962 Paul Anka hit	15 Balloon or dirigible
14 Saint in Italy	86 "The Last Command" locale	16 Million, for one
19 Showy flower	87 "Helter Skelter" locale	17 Salsa (Florida county)
20 Dandelion, commercially	88 Clogged in the tooth	18 Having made substantial gains
21 Hood	92 The used-car dealer ordered	24 Flexible missile
22 Edit, as a soundtrack	94 The man's boy ordered	26 Two-stage missile
23 The exterminator ordered	97 Initials since 1933	29 Place for bus?
25 The barologist ordered	98 Whence the Meg, with "the"	32 Kill — killed
27 Em, for example	100 Port of Egypt	34 "SO'S" singers
28 Song word after "Aha"	101 "Hoo" precursor	35 Directly opposed
30 Cell division process	102 More cluttered	37 "Helter Skelter" quintet
31 Introduction to physics?	105 Fore-and-after	38 Unsettling comment from a pilot
33 Deafest	107 Like some questions	39 Apteryx
36 Blue book filler	110 Showstoppers?	41 Slower on the uptake
37 Razor-bird bird	112 One of TV's Mavericks	45 Scribbles
40 Stampeder	114 Vacillate	46 Smoking gun
42 Gray wolf	117 The panhandler ordered	47 "L" — "c" — "m"
43 Pantry pest	120 The musician expert ordered	50 "Foreign Affairs" author
44 The insect furniture mover ordered	123 Crow's home	51 — Rogers St. Johns
48 The wild pitcher ordered	124 Ham's punctuation	52 Took out
53 Illegal parker's worry	125 Bit of fast food	53 Oahu-to-Maui dir.
54 Positions	126 Land	58 Major defense contractor
56 Lazzi's "La Campanella," e.g.	127 He was a real dummy	59 Lively
57 Old shoe polish brand	128 Channels	62 Caterpillar constructions
60 Discloses	129 Pack	63 Navigation units
61 Withdraws, with "out"	130 Like smokestacks	67 Diatribes
63 Beneficiary of nepotism: Abbr.		68 Raise again... and again
64 Evening event		69 Pertaining to 73-Down
66 Rival of Helena		70 Seed structure
68 Domino, e.g.		71 Word of politeness
69 The real estate agent ordered		72 Hospital supply
		76 Professional suffix
		77 Ring fighter
		78 Reached the vanishing point
		81 Bully
		82 West
		84 Utah state flower
		85 Give or take
		87 Gezzur
		88 Cousin of a canvasback
		89 Time of decision
		90 Gun garment

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## Solution to Puzzle of June 20-21

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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## MONEY

By Ann Brocklehurst

FROM an investor's point of view, Canada is a country of contradictions. According to the International Monetary Fund and the Organization for Economic Co-operation and Development, Canada's economy will outperform those of all the other G-7 countries this year. Yet the Canadian dollar is at an all-time low against the U.S. currency, which has made investing in the country a difficult proposition for foreigners.

Fund managers and analysts said that despite the Canadian dollar's problems, investors will find Canada an interesting place to shop for stocks. They maintain that, compared to the U.S. stock market, the country offers much in the way of value.

Dunham Best, a senior vice president at Toronto's Midland Walwyn Capital Inc., suggested looking at Canadian and U.S. companies operating in the same industries and comparing their price-to-earnings ratios. As an example, he cited the fine-paper-and-packaging maker Domtar Inc., which is listed on the Toronto and New York stock exchanges.

Domtar trades at about 11 times its estimated 1998 earnings of 90 Canadian cents (61.4 U.S. cents) a share and 7 times estimated 1999 earnings of 1.49 Canadian dollars. Mr. Best compared this with a group of U.S. paper producers, including Champion International Corp. and Boise Cascade Corp., which recently traded at an average of 23 times consensus 1998 earnings and 11.5 times 1999 earnings.

Investors can also use the comparable-value theory to help weed out Canadian stocks that might not be good buys at current prices. The country's six big banks, for example, were spectacular performers in 1996 and 1997, when they rose 47.4 percent and 32.9 percent,

respectively. The market pushed bank stocks even higher on news earlier this year that Royal Bank of Canada and Bank of Montreal planned to merge. Although the government has yet to approve that deal or the subsequent announced merger of Canadian Imperial Bank of Commerce and Toronto-Dominion Bank, there is little doubt they will eventually get permission.

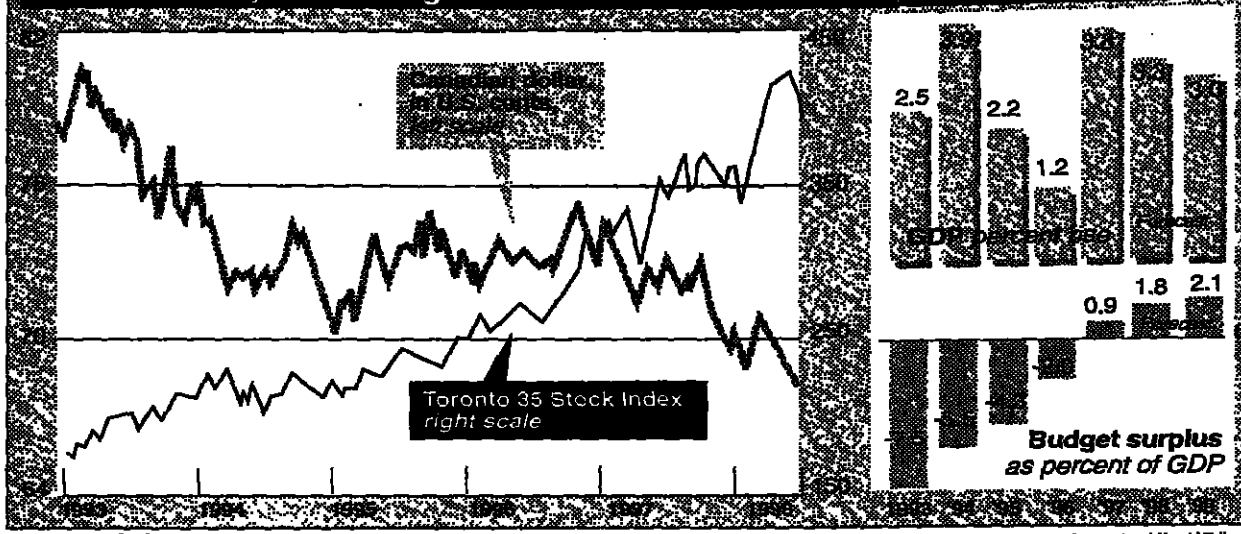
As a group, the four Canadian banks involved in the mergers traded at about 16 times estimated 1998 earnings and 14 times 1999 earnings, the same as the multiples for big U.S. banks. Mr. Best sees this as proof that when outside investors get to know Canadian companies, their real value is recognized.

He noted that the National Bank of Canada, which is not listed outside the country and is the smallest of the Big 6 banks, still appears to be good value. It trades at about 13 times estimated 1998 earnings of 2.20 dollars a share and 12 times estimated 1999 earnings of 2.40 dollars.

As of April 30, the National Bank was the fifth-largest holding of the Fidelity Canada Fund, one of just a handful of country-specific funds available outside Canada.

The fund's manager, Tom Sweeney, said in the latest semiannual report that "The bank conducts its business primarily in Quebec, whose economy is

## A Sick Dollar, a Thriving Stock Market



currently weaker than the rest of Canada, and, as a result, the stock has been undervalued and selling at a significant discount."

Mr. Sweeney, whose fund returned just 8.21 percent in the year ended Oct. 31, 1997, compared with 18.18 percent for the Toronto Stock Exchange 300, said the underperformance was partly due to the underweighting of bank stocks in his portfolio as well as to the overweighting in resource stocks, which generally performed poorly.

While many of the hundreds of mutual funds available exclusively to Canadians have beaten the 300 index, only one of five funds sold offshore has shown remarkable results. The Luxembourg-based CMI Asset Management, which is managed by Jarislowsky Fraser & Co. of Montreal, returned 24.2 percent in 1997, with a five-year annualized rate of return of 14.10 percent.

Aside from buying funds and individual stocks, investors can also play Canada by buying World Equity Benchmark Shares, a Morgan Stanley Dean Witter & Co. product. WEBS, as they are known, offer passive index management for 17 countries, including Canada, and are listed on the American Stock Exchange, where they trade like any other stock. In 1997, the Morgan Stanley Capital Index for Canada, upon which the Canadian WEBS are based, rose 12.5 percent.

While the Toronto Stock Exchange has not managed to rank among the world's top 10 markets over the past decade, its broad 300-share index rose a respectable 13 percent in 1997 after jumping 26 percent in 1996. It has been hampered by the poor performance of resource stocks, which account for 22

percent of the Toronto Stock Exchange 300. In 1997, the mines and minerals index fell 27.55 percent, gold and precious metals dropped 43.56 percent, pulp and paper lost 12.75 percent, and oil and gas inched up just 2.83 percent.

"The relative performance of resource stocks versus non-resource stocks has rarely been more extreme than it has recently," said Fred Sturm, manager of the Ivy Canada Fund, which is run by Toronto's Mackenzie Financial Services Inc. for U.S. investors. It specializes in resources, and its Class A shares have tumbled 19 percent so far this year. "Over the last year," Mr. Sturm said, "compliments of developments in Asia, investors have been fleeing from the resource market into more solid sectors such as domestic real estate and financial services."

The Asian situation has also had a negative effect on the Canadian dollar, which traded at all-time lows earlier this month. (Page 17) While many economists believe the dollar is undervalued, there is consensus that it is in a bearish trend that could continue for months. Mr. Best said investors need to be prepared for currency gyrations in the short term or to hold their stocks for the long term.

Despite the potential for more bad news from Asia, Mr. Sturm says it is important to ask "at what point in-

vestors have factored in all that negative news." He said the lows in the commodity and resource sectors and underlying companies were being formed now.

While Mr. Sturm would not comment on specific stocks, he said he was bullish on the natural-gas sector, which, thanks to new pipeline capacity, is expected to increase exports to the United States. His portfolio includes Remington Energy Ltd., whose energy reserves are almost all located in British Columbia.

Among better known resource stocks, Irwin Michael, the manager of Toronto-based ABC Funds, recommended Noranda Inc. as the best of the integrated mining companies. "It's like a mutual fund," he said, adding that the stock now trades at 34 dollars, below the approximately 31-dollar-a-share value of its assets.

Mr. Michael said he saw opportunities in another traditional Canadian sector: forest products. He said that St. Laurent Paperboard Inc. and Alliance Forest were trading below net-asset value and were possible takeover targets.

Indeed, Mr. Michael said the value of Canadian equities was attracting foreigners. Foreign investment in Canadian stocks rose sharply in March, to 2.24 billion dollars, the first month to hit more than 2 billion dollars since July 1997.

"With the Canadian dollar as weak as it is today, an American can buy 1.47 dollars worth of Canadian assets for one U.S. dollar. Canada is on sale and ready to be plucked," said Mr. Michael.

Recent American takeovers include the purchase of the forest products company, Avenor Inc. by Bowater Inc. and the purchase of Norcan Energy Resources Ltd. by Union Pacific Resources Group Inc.

Of course, Mr. Michael noted, the

Continued on Page 17

Canadian Exchanges:  
Both Small and Volatile

The Saga of Bre-X Is a Cautionary Tale

By Ann Brocklehurst

LIKE Canada itself, the Toronto Stock Exchange is often regarded as little more than a less-exciting version of its neighbor to the south. Many foreign investors simply do not see any reason to buy into a market like Toronto when they believe similar products are available in New York.

"They tend to throw us in with the U.S. market when the markets are really quite distinct," said John Carson, senior vice president for market regulation at the Toronto exchange. "But those who view the U.S. market as a virtual proxy for Canada are quite mistaken."

Unfortunately for Toronto, its most important distinguishing feature as of late has been the role it played in the Bre-X Minerals Ltd. gold scam. By the time the extent of the fraud was revealed in May 1997, the company's stock lost 6 billion Canadian dollars (\$9 billion) in value.

The panic selling caused the exchange's electronic-trading systems to crash, and it faced criticism for including Bre-X in its 300 index, meaning that mutual funds that recreated the index would have purchased it.

"To varying degrees, everyone in Canada's investment industry was hurt by the collapse of the company: investors who lost their holdings, mining companies who suffered from an erosion of confidence, and all of us who work in the Canadian capital markets who have suffered negative impact on our hard-won credibility," the exchange president, Rowland Fleming, told the annual meeting in May.

Just a few weeks later, the exchange and the Ontario Securities Commission proposed regulations that would require mining companies to increase their disclosures about properties and drilling standards.

Although Mr. Carson admitted it would take time for Canada to regain its credibility in the prospecting business, Toronto is still billing itself as the

world's leading mining exchange and trying to persuade foreign companies to list there. In 1997, 3.2 billion Canadian dollars in mining capital was raised on the exchange, representing more than a third of the world's total.

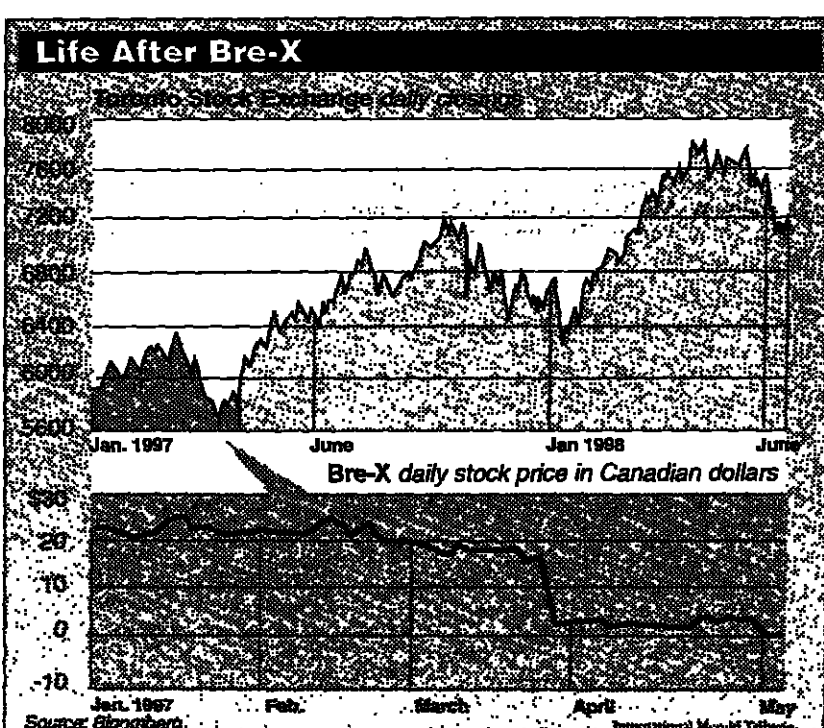
Mr. Carson also emphasized that, despite Bre-X, the exchange broke a number of records in 1997. Its 300 index hit several all-time highs, trading volume was the largest ever at an average of 1.68 billion dollars a day and new issues reached a peak of 102, up from 79 in 1996.

At the same time however, the exchange is feeling the effects of globalization and electronic trading. Even when it can convince foreign investors that Canadian stocks have something unique to offer, Toronto faces direct competition from the New York and American stock exchanges and the Nasdaq market, which list 34 of the stocks in the Toronto Stock Exchange 35 and 40 percent of those in the 300 index.

At the annual meeting, Mr. Fleming noted that the number of listed stocks was increasing and competition for trading was intensifying. "We now execute less than 60 percent of the trading volume in Canadian securities, as markets fragment and trading in upstairs markets and proprietary trading systems increases," he said.

The Montreal Exchange, Canada's second-largest, knows how it feels to lose business to bigger markets. Once the most important bourse in the country, Montreal ceded that position to Toronto in the 1950s. It now contents itself with being No. 2 and draws much of its business from pension funds and institutional investors who trade in Montreal, mainly to support the city's financial industry.

All the major Quebec companies are listed in both Montreal and Toronto, including some of the best performing small-cap stocks in the country. For example, A.L. Van Houtte Ltd. of Montreal — a coffee maker and distributor recommended to Money Report readers on Sept. 6 by Christine Decarie, vice president of the Montreal money-



management firm Montrusco & Associates Inc. — has returned nearly 40 percent since that time. The share price of Fonorola Inc., another Money Report pick, is up 79 percent, reflecting a takeover bid by Call-Net Enterprises Inc.

WHILE equity analysts no longer agree that Quebec stocks are undervalued because of fears that the French-speaking province may choose to secede from the rest of Canada, they still say there is value to be had in Quebec.

"It is a sad truth that companies only really learn to compete during tough times. In Quebec, capital and population flight have so suppressed economic growth that any management whose company has been able to grow and prosper really must know its stuff," according to a recent report by the Toronto money manager Burgundy Asset Management Ltd. "The result is a tough, pragmatic group of entrepreneurs who can be relied upon to make money in just about any circumstances."

Among the Quebec companies currently recommended by Burgundy are the grocer Metro-Richelieu Ltd., the

auto parts distributor Uni-Select Inc. and the radio and billboard company, Radiomutuel Inc., all of which trade in Montreal and Toronto.

Canada's two other markets, the Alberta Stock Exchange and the Vancouver Stock Exchange, are niche markets completely different from Toronto and Montreal. Alberta specializes in startup mining and energy stocks while Vancouver is known chiefly for penny mining stocks.

Although Bre-X was originally listed in Alberta, Vancouver has a nascent overall reputation for listing companies involved in scams and scandals. Both markets are only for speculators. For example, Downing & Co., a small financial-services firm in Olivenhain, California, is recommending Anvil Resources Ltd. to the "risk oriented."

Anvil is based in Vancouver, trades in Calgary and its primary focus is to discover and develop resource rich properties.

Richard Coates of Downing said the potential of Anvil's oil and gas properties make it a strong buy at its current price of about 1.43 dollars a share, even though the price has nearly quintupled so far this year. Much of the gain came after the company reported positive results at a gas well drilling.

QLT Phototherapeutics is a fledgling biotech company that, although dogged by losses, seems to hold long-term investment promise. QLT, a spin-off from the University of British Columbia, is pioneering the development and commercialization of photodynamic drug therapy. These drugs use light-activated therapy to kill diseased cells without harming healthy tissue. Its stock has lost about 33 percent of its value since March 1997.

Initially, analysts thought QLT's flagship product, Photofrin, would be its moneymaker. The drug is positioned as an alternative cancer treatment to radiation, and it has received marketing approval in many countries. In the past year, Photofrin proved to be a tough sell among doctors, particularly in Europe and Japan, who are generally unfamiliar with laser technology and prefer more traditional methods of cancer treatment.

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A Winner in 4 Ain't Bad  
(When Price Quadruples)

Ballard Soars on Enthusiasm Over Fuel Cells

INVESTORS would have done well to follow the advice in March 1997 of analysts who follow fledgling technology companies based in Vancouver, but all of the gains came from one of their four recommendations.

Ballard Power Systems Inc. was the standout of four stocks suggested in the March 8, 1997, issue of the Money Report, more than quadrupling in value through Thursday. The three other issues — Spectrum Signal Processing Inc., QLT Phototherapeutics Inc. and StressGen Biotechnologies Corp. — lost value, though hopeful signs remain for patient investors.

Besides patience, courage is required: These companies show small profits if any.

Ballard, nonetheless, is up 319 percent since March 7, 1997. Bob Chewning, an analyst at Morgan Stanley, Dean Witter & Co. in New York is bullish on the company, which makes emission-free fuel cells that can be used to power electric vehicles, power stations and portable generators. Though Mr. Chewning said it was likely to be as long as five years before Ballard had a main stream market for its proprietary technology, he was optimistic because of the company's success at attracting cash-carrying, high-profile partners from around the globe.

Ballard's fuel cells are used by a variety of carmakers and energy-equipment and service suppliers to deploy prototype models of electric cars, power stations and portable generators. In the past year, the popularity of Ballard's fuel cells has increased exponentially. Daimler-Benz AG, an early supporter of Ballard, recently bought a 20 percent stake in the company, and Ford Motor Co. holds 15 percent. As of April, Daimler, Ford and Ballard had an alliance to commercially produce fuel-cell-powered drive trains and other parts for automobiles. In the past two months, Ballard has signed multimillion-dollar development contracts with leading power-plant makers, including GEC Alsthom and Ebara Corp. of Japan. These recent developments have helped push Ballard's stock back up to the high end of its 52-week range of \$28-\$132. The stock split three-for-one early in June.

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Analysts now think that developing drugs for cancer treatment may not be QLT's critical path to growth. Vic Tyson, manager of knowledge-based technologies for the Vancouver office of the Royal Bank of Canada/Dominion Securities is among those who believe the bulk of QLT's future value will be derived from its second-generation drug known as Benzoporphyrin derivative.

The drug, which is now in human trials around the globe, is seen as a breakthrough treatment for eye diseases, including age-related macular degeneration, the most common cause of blindness in people under 50. In anticipation that those trials will result in approvals, the Royal Bank of Canada/Dominion Securities, as of June, had a "buy" rating on the stock.

QLT should also get a boost in the next year from its alliance with the health-products supplier C.R. Bard Inc. The companies teamed up in April to develop a therapeutic system and procedure for reduction of arterial stenosis using localized photodynamic therapy. Restenosis is the reclosing of blood vessels that occurs within six months in as many as half of all angioplasty procedures.

Spectrum Signal Processing is another Vancouver company that offers long-term investment promise, though probably not without some short-term headache. It has lost 21 percent of its value since the beginning of March 1997.

Spectrum supplies programmable, digital-signal processing products. Until recently, this technology was used mostly in defense-oriented applications as a means of facilitating wireless voice and data transmission. Now, the commercial marketplace is starting to look at the technology.

Until recently, Spectrum's primary push had been to its digital-signal processing technology to products associated with computer/telephone integration. In December, the company discontinued its desktop computer/telephone board products and decided to focus solely on developing digital-signal processing applications that can be sold to businesses that resell wireless communication services.

It was a good move. Texas Instruments Inc. is in the middle of a major drive to boost production of digital-signal processing chips. In the past year, Spectrum has released more than a dozen new products based on Texas Instruments' digital-signal chips.

The company maintains a relatively young investor following, one that can be witnessed first-hand by visiting an Internet bulletin board devoted to the stock on the Silicon Investor.

StressGen Biotech, the fourth company mentioned, has fared the worst, losing 50 percent of its value. Lately, however, it has been rising, following its statement that an experimental cancer treatment eradicated tumors in mice.

— Holly Hubbard Prestos

## Canada's 'Loonie' Currency Is Not a Basket Case

FOR investors outside North America, just about the only thing currently wrong with Canadian bonds is that U.S. Treasuries pay slightly higher interest rates. The yield spread between the two countries' 30-year bonds is now about a quarter of a percentage point, giving foreigners little incentive to buy Canadian paper despite a broad consensus that the country's economy is in excellent shape.

Carl Weinberg, chief economist of High Frequency Economics in Valhalla, New York, said he thought investors should overlook the yield spread and purchase the Canadian bonds anyway. Inflation is negligible in Canada. Bond yields of 5.375 percent on 10-year bonds and 5.625 percent on 30-year issues look attractive in inflation-adjusted terms, he wrote in a recent edition

of his newsletter. Furthermore, Canada's government has a budget surplus that is growing.

"There ain't going to be no more Canadas to buy very soon," he said. "This is an extremely strong fundamental for bond prices and for extremely low bond yields."

While Mr. Weinberg noted the weakness in the Canadian dollar — which hit its all-time low against its U.S. counterpart earlier this month and now trades at 68.17 cents — might deter some investors, he noted that the loonie, as Ottawa's currency is known, has been relatively strong against the yen, the Continental currencies and the pound.

"If you have a time horizon of more than a few months, the currency will come around," he said.

David Abramson, managing editor of

the Montreal-based Bank Credit Analyst's Institutional Currency Service, is more cautious about the Canadian dollar. As a major exporter of commodities, Canada remains susceptible to falling prices and a further drop could push the dollar down to 66 U.S. cents, he said. A rise in U.S. interest rates could also hurt the Canadian currency's ability to move up, he added.

"The reason why our currency is weak is not because we're a basket case," Mr. Abramson said. "The underlying story about Canada is a bullish one, but it is consistent with lower interest rates and a weaker Canadian dollar. We have a weaker currency because our interest rates are uncompetitive and we have lower bond yields because of our uncompetitive interest rates."

Monetary policy is loose as Canada

tries to recover economic output lost as a result of structural changes. It underwent in the early and mid-1990s, when inflation was squeezed out of the system and government deficits were cut, he explained.

Despite the elimination of the federal government's budget deficit, the country is still coping with a current account deficit. Its debt represents 40 percent of GDP, imports have risen as consumers' spending power has increased and there is a greater demand for investment as Canada tries to catch up after the years of severe recession. While the current account deficit is expected to shrink over the next few months, there is still a gap that needs to be filled by foreign financing.

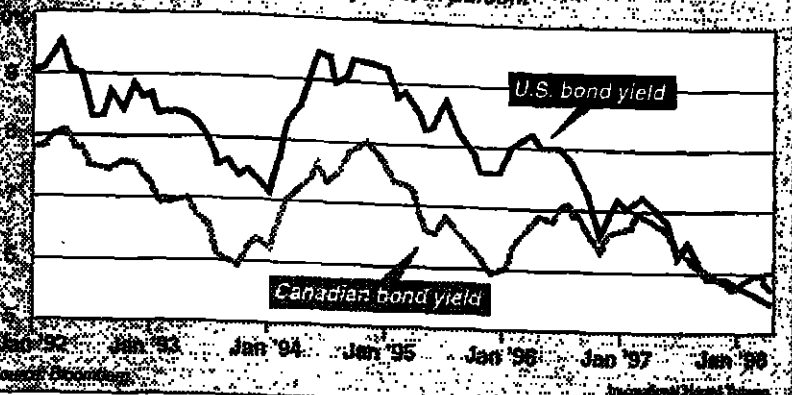
On top of these factors, Canadian



## THE MONEY REPORT

## Canada Loses Yield Advantage

Canadian and U.S. 30-year bond yields, in percent



## That 'Loonie' in Canada

By No Means a Basket Case, Analysts Say

Continued from Page 16

exports, particularly from the West Coast, have been hurt by the Asian collapse. Gerald Vincent, a bond portfolio manager with the Toronto investment adviser Davis-Rea Ltd., said he thought the concern about Asia was valid but that the currency markets have overreacted, as they tend to do.

"In these situations," he said, "you can get lower than one would expect based on fundamentals. These movements can be truly emotional and, in many cases, irrational."

Despite the decline of the Canadian dollar, Mr. Vincent said, the tone of the bond market was good. Combining interest payments and capital gains as rates decline, he predicted long-term bonds would return 9.5 percent a year, while issues in the five-to-seven-year range would offer about 8 percent. But Mr. Vincent, along with Mr. Abramson, said he would put more money in American bonds than Canadian.

Mr. Weinberg said he preferred Canada because the extent of its structural changes has been greater than in the United States. He said he thought deficit-reduction in the United States has been "transient" and that American finances would eventually deteriorate as an aging population makes increasing demands on the country's Social Security system, a situation he said Canada had begun taking steps to avoid.

In provincial bonds, Andrew Pyle, a fixed income analyst at C.T. Securities Inc. in Toronto, said both Ontario and Alberta paper were attracting interest. Alberta, an oil-producing province in the West, eliminated its deficit years ago and has pledged to erase its debt, excluding pension liabilities, by 2007.

Ontario, Canada's most industrialized province, is planning to balance its budget by the year 2000.

Mr. Pyle said that while the spreads between Alberta and federal bonds have now narrowed to the point that there is little incentive to buy its provincial bonds, there is still room for Ontario/Canada spreads to narrow and for investors to profit.

As for Quebec, the French-speaking province whose bonds are considered riskier due to the threat of secession, he called them an "interesting speculative play." Mr. Pyle believes that if Jean Charest, a popular federal politician newly arrived on the political scene, manages to beat the current separatist premier, Lucien Bouchard, in the next election, Quebec bonds could benefit handsomely. He noted that the bonds of the provincial utility Hydro Quebec, which generally track the province's bonds, would also be likely to increase in value.

—ANN BROCKLEHURST

## BRIEFCASE

## Fund Management Pays In Japan, on Continent

Fund managers plying their trade in the British and American stock markets have taken much grief over the fact that so few of them can match the performance of benchmark indexes or of passively managed funds intended to mimic movements of the indexes. A study by HSBC Asset Management shows that their colleagues investing in Continental Europe and Japan do much better.

Among actively managed funds targeting Europe studied by HSBC, 90 percent beat the performance of a benchmark index of Continental European shares in the period from the start of 1987 until last March 31. Among fund managers in Japan, 75 percent beat the relevant benchmark.

That contrasts with just one-third of managers of American funds and 29 percent of managers investing in Britain over the same stretch. The Anglo-Saxon managers may have fallen victim to the transparency of their markets, Robin Minter-Kemp, deputy managing director of HSBC Investment Funds Europe, theorized.

"When you look at the U.S. and U.K. markets, they're very open," he said. "Most of the key information that will influence stock prices will be there for everyone to see."

This is not the case in many other markets, where extra diligence and effort by portfolio managers can reward them with insights unavailable to rival investors.

"Where you have a market that's much more covert in its activity because it's more domestically focused, like Japan, information is available on a need-to-know basis," he said. "When managers get in there and do favors and observe protocol, they get the information. In Europe, because of cultural differences, it's difficult for analysts to get an open book. Managers who work hard can make a substantial difference. Tracking an index becomes broadly inefficient."

The study was skewed in favor of active managers in a couple of respects: Funds investing in smaller companies and individual industries were not considered, and index levels were reduced to reflect a notional 0.75 percent annual management fee. Even so, this would not affect the contrast of managers in the Anglo-Saxon markets with their counterparts in Europe and Japan. (IHT)

## E\*Trade Expands to U.K. In Electronic Share Deal

E\*Trade Group Inc., the U.S. on-line brokerage, has entered the British market by setting up a joint venture company with Electronic Share Information, both companies said.

E\*Trade is investing \$6.37 million for a 27.7 percent stake in the new company called E\*Trade U.K. Ltd. Owners of the closely held Electronic Share Information Ltd. will receive shares in the holding company capitalized at \$23 million. A third company is also expected to invest as well.

"This is part of E\*Trade's strategy to give individuals Internet access to global markets," said Linda Chew, an analyst at Corinthian Partners LP in New York. E\*Trade also provides services in Canada and Australia, and earlier this

month said it would enter the Japanese market in association with Softbank Corp.

By partnering with Electronic Share Information, E\*Trade gains access to more than 170,000 customers. It currently has more than 400,000 customers in the United States.

"The creation of E\*Trade U.K. will solidify our European presence," said Judy Balint, senior vice president global marketing and strategic business development at E\*Trade. "The U.K. has the second largest market of private investors in the world as well as a large and growing Internet population." (Bloomberg)

ELECTRONIC SHARE INFORMATION's website is [www.esi.co.uk](http://www.esi.co.uk). E\*Trade's website is [www.etrade.com](http://www.etrade.com).

## Salomon Smith Barney Cites BP as Best Choice

Salomon Smith Barney said British Petroleum PLC was its global top pick. The brokerage house cited "superior management, strong exploration-and-production performance and attractive valuation."

The company, which has returned more than 25 percent to investors in the past year, has a target of 1,100 pence at Salomon, compared with its price late Friday of 878.5 pence.

A couple of added attractions for individual investors are that the stock pays a dividend in excess of 3 percent and it is listed on several exchanges. (IHT)

## Egyptian Exchange Plans To Ease Investor Rules

With the Hermes index down more than 17 percent this year, the Egypt Stock Exchange is planning some changes to restore investor confidence, its chairman told fund managers.

Sherif Raafat, the exchange's chairman, said the Office of Public Enterprise would begin using experienced underwriting firms to market initial public offerings of privatized companies. The government has been criticized for lack of transparency in the way it prices and markets the offerings.

Public Enterprise officials will abolish a rule requiring investors to deposit money to cover the full value of the shares they apply for in public offerings. Investors complained that they often had to sell existing holdings in order to raise cash to buy new stocks.

The government also is changing the rule requiring companies newly listed on the exchange to trade at their IPO price rather than their market value. The rule change will affect heavily traded new stocks, such as Egyptian Mobile Telephone Services Co. (Bridge)

## Skandinaviska Enskilda Opening Set of Indexes

Skandinaviska Enskilda Banken AB is introducing a set of equity indexes that provide industry classifications across the Nordic region.

The products include segment, sector and industry indexes, small-cap indexes and total market capitalization weighted indexes for the Nordic region as well as for each country.

S-E-Banken said the indexes would be grouped in three areas — cyclical, growth and interest-rate-sensitive — which will be sub-divided into eight sectors. Those sectors will include 28 different industries. (Bloomberg)

## Bottom-Fishers Should Look at Oil-Service Stocks

THE OIL business has fallen on tough times, and that is good news for bargain-hunters. The price of oil recently hit a 10-year low, less than \$12 a barrel. It is down 26 percent in the second quarter.

On the supply side, the problems are too much production by oil-rich but cash-strapped countries in the Mideast and Latin America and increased pumping by Iraq. On the demand side: a warm winter in the United States and a drop in demand as Asia's economy slumps.

On Wednesday, members of the Organization of Petroleum Exporting Countries pledged to cut production by 2.6 million barrels a day, about 3 percent, over the next year. Lower supply means higher prices, but investors were not impressed with these promises, and oil closed at \$14.60 a barrel, little changed from before the OPEC meeting.

On Friday afternoon, the price had fallen to \$14.20. That compares with an average of \$17 a barrel last year, and \$19 in 1996. Between 1979 and 1985, oil averaged \$31 a barrel.

Below \$16, it is hard for most drillers and oil-service companies to make decent money. The big, integrated international petroleum companies that sell to consumers can still do well because their costs fall, but up the production chain, businesses get creamed.

More precisely, the businesses themselves get hurt a little (or even continue to thrive), but a panicky Mr. Market causes their stocks to get hurt a whole lot. This is one of those "rolling depressions" that Marty Whitman, manager of Third Avenue Value Fund, talks about. Masked by the general good health of the economy and the

market, some sectors are suffering. Oil service is a prime example.

Take Smith International Inc., which makes such drilling equipment as diamond bits. It has a good balance sheet and sales that have gone from \$220 million to \$1.6 billion in four years. According to Bloomberg News, the mean estimate of the 15 analysts who cover the stock is that profit this year will rise to \$3.11 a share from \$2.58 last year, a 21 percent advance.

Not bad, but not as good as in 1997 and 1996; the gain in each of those years was more than 50 percent.

Still, look at Smith's stock. From a high of \$87.88 a share in October, it had fallen to \$34.25 Friday afternoon. Smith's price-to-earnings ratio, based on 1998 estimated earnings, is a mere 11, or less than half the market as a whole, even though its profit is expected to be growing at a 20 percent rate.

Smith is not alone. Halliburton Co., which William Herbert of Howard Weil Labouisse Friedrichs Inc. told me is the "best-managed company in the oil-service industry," is down 43 percent since the Asian crisis broke in October. The deepwater driller Transocean Offshore Inc., is off 46 percent.

Schlumberger Ltd., the biggest of the oil-service companies, is down only 27 percent, but the smaller Parker Drilling Co., which packs a higher rating from the Value Line Investment Survey (2 vs. 3 for Schlumberger), is down 61 percent in eight months, while Enco International Inc., a contract driller whose earnings have more

than sextupled in three years, has fallen 60 percent and trades at a P/E of a mere 9, even though earnings are supposed to rise 50 percent.

What is going on here?

The answer, in a word, is Asia. If you believe the Asian crisis has been overdone in the stock market, then your best play — better, perhaps, than Asian shares themselves — could be oil-service stocks.

Typically, these shares go to extremes, either down or up, said Angelina Sedita, an analyst with A.G. Edwards & Co. in St. Louis. Oil service, she believes, "offers wonderful appreciation potential." But what about that oil price? I ask. "My view is that what goes down eventually comes up," she says. "Oil at these levels becomes 'naturally correcting.'" In other words, when prices get low enough, production slows significantly, thus crimping supply, thus pushing prices back up.

Over the past 10 years, oil has generally fluctuated between \$18 and \$20 a barrel. When it goes outside those boundaries, it quickly snaps back.

Mr. Herbert, the Howard Weil analyst, is not so sanguine. "What is really important is demand stabilizing in Asia," he says. If it falls off, then oil service stocks could drop some more.

"My worry is the 'C' word," he added, referring to "contagion" — the spread of the Asian economic ills throughout the globe, leading to slow-downs in demand for oil in Europe and America as well.

Washington Post Service

## Without the Rich, Society Would Be Poorer, Right?

By Peter Passell

WHO SAYS economics is the dismal science? O.K., O.K.: Just about everybody. Who but an economist, after all, would insist that unemployment can ever be too low or that the stock market can ever be too high?

But nobody ever accused the Federal Reserve Bank of Dallas of spreading doom and gloom. Indeed, the Dallas Fed is well known for a study showing that poverty in America is largely a statistical misunderstanding.

Perhaps not surprisingly, that take on poverty never passed muster with the economics establishment. But the same researchers, W. Michael Cox and Richard Alm, are at it again. This time, they are apt to raise fewer hackles with their paean to the virtues of technological change and productivity growth.

"Time Well Spent: The Declining Real Cost of Living in America," an essay that is part of the Dallas Fed's 1997 annual report, is short on hard-core analysis. But the then-and-now statistical comparisons, showing how much more the average American can buy with so much less effort, are loads of fun to check out.

For the record, the Dallas Fed economists are not the first to take issue with the idea that prices are far higher today than they were, say, a century ago. Indeed, the argument about long-term price comparisons is well-known to Econ 101 students as the Sears Catalog Paradox.

If prices are really so much higher today, the premise goes, it follows that most people would prefer to spend \$1,000 on goods from a century-old Sears Catalog at 1898 prices than go on a \$1,000 shopping spree for today's goods at today's prices.

In fact, most people would choose the other option. While it would be nice to be able to buy a pound of nails or a dozen spoons of cotton thread for a few pennies from the old catalog, hardly anyone would want to own the primitive sewing machines or bicycles from the

1898 catalog at any price. (For the sake of this discussion, set aside their value as collectibles.)

Besides, many of the things that make life pleasant, even bearable, simply weren't for sale in 1898. "No amount of income would make my life better if I couldn't buy my arthritis drugs," pointed out Paul Krugman, an economist at the Massachusetts Institute of Technology.

On the other hand, noted Mr. Krugman, the author of "The Accidental Theorist," the Sears Catalog Paradox misses part of the point because it looks backward rather than forward. While no amount of money could buy the variety and quality of goods in 1898 that Americans take for granted in 1998, staples — food and shelter — certainly have risen in price since the 19th century.

Brad DeLong, an economist at the University of California at Berkeley, puts it another way. As new, improved products come along, he notes, "the rich substitute out of whatever luxury goods they were consuming like band-aids." But a peasant in, say, Haiti, would happily give up access to anti-skid automobile brakes or three-dimensional computer games that he cannot possibly afford in return for rice, cooking oil and shoes at 1898 prices.

Mr. Cox and Mr. Alm do not mess around with such ambiguities. They have a simpler point to make — namely, that "the real cost of living isn't measured in dollars and cents but in hours and minutes we must work to live."

By this yardstick, living has become a lot easier. Consider that staple of modern life, the television set. Back in 1971, the average worker had to toil 174 hours to earn enough money for a 25-inch color receiver. In 1997, a much more reliable TV cost just 23 hours on the job.

Or consider the 3-pound chicken that every American used to put in his pot before Pizzeria Hut opened at the mall. That chicken cost \$3.15 in 1997, almost triple the price in 1919. But it took the average worker just 15 minutes to earn that chicken — compared with 158 minutes in 1919.

What has happened, of course, is that technology, education and machinery have made workers far more productive than their counterparts of 20, 50 or 100 years ago. Mass-produced bits of silicon have replaced exquisitely formed (yet short-lived) vacuum tubes in televi-

sions. Chickens, which used to scratch out a living behind a barn, are now scientifically assembled from vegetable protein and antibiotics.

About the only items in the United States that have become more expensive in terms of work time are movie tickets and college degrees. But in both cases, the Dallas Fed economists assure us, the product has been improved.

Who, after all, would rather watch a bunch of actors in shades of gray when they could watch Godzilla take a bite out of the Empire State Building in glorious Surroundsound? And who could resent the \$150,000 price tag of an Ivy League education that lands them a ticket on the Wall Street gravy train?

If Mr. Cox and Mr. Alm had stopped about here, few would be inclined to quibble. But they did not resist tossing in a bit of ideology. This life-enhancing bounty of the modern economy, they contended, depends on the wide differences in living standards between rich and poor.

"Without society's wealthy, fewer new goods and services would find their way to the rest of us," they wrote. "Far from being a blight on society," they add, "unequal income distribution is instrumental in driving society forward. It's a natural resource."

Marie Antoinette could not have said it better.

New York Times Service

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2000







WORLD CUP BRIEFS

U.S. Women Draw With Germans, 1-1

Cindy Parlow's goal in the 76th minute gave the U.S. women's soccer team a 1-1 draw with Germany in an international match in St. Louis on Thursday night.

Parlow scored on a scramble in front of the German goal, beating the goalkeeper Kersten Stegmann, who had entered the game seven minutes earlier.

The tie snapped a nine-game American winning streak. The last U.S. loss was a 4-1 defeat by Norway on March 19.

After a scoreless first half, Germany took a 1-0 lead when Melanie Hoffmann scored the first international goal of her career. She beat the U.S. goalkeeper Briana Scurry from 16 meters out in the 50th minute.

(AP)

Match-Rigging Alleged

FIFA is investigating allegations of match-rigging in the Nigeria-Paraguay game. Nigerian newspaper reports, but a FIFA spokesman in Paris declined to comment on the reports on Friday.

Nigeria lost, 3-1, on Wednesday to Paraguay, which had not managed to score in its first two group matches. The Nigerians fielded a mostly second-string team.

Nigeria's loss meant that Spain, despite crushing Bulgaria, 6-1, was eliminated from the tournament. Spain needed Nigeria to win to advance to the second round.

The chairman of the Nigeria Football Association, Abdulsami Aminu, dismissed the allegations.

"The players tried their best but the God of soccer did not certainly smile on them," he said.

Nigeria's coach, Bora Milutinovic, justified his decision to make changes to his team for the final group match because he did not want to risk losing players for the second round who had yellow cards.

(AFP)

Sao Paulo Pulls the Plug

Electricity consumption drops sharply in Sao Paulo when the Brazilian team plays World Cup matches, according to the Brazilian utility Cia Paulista de Forca e Luz.

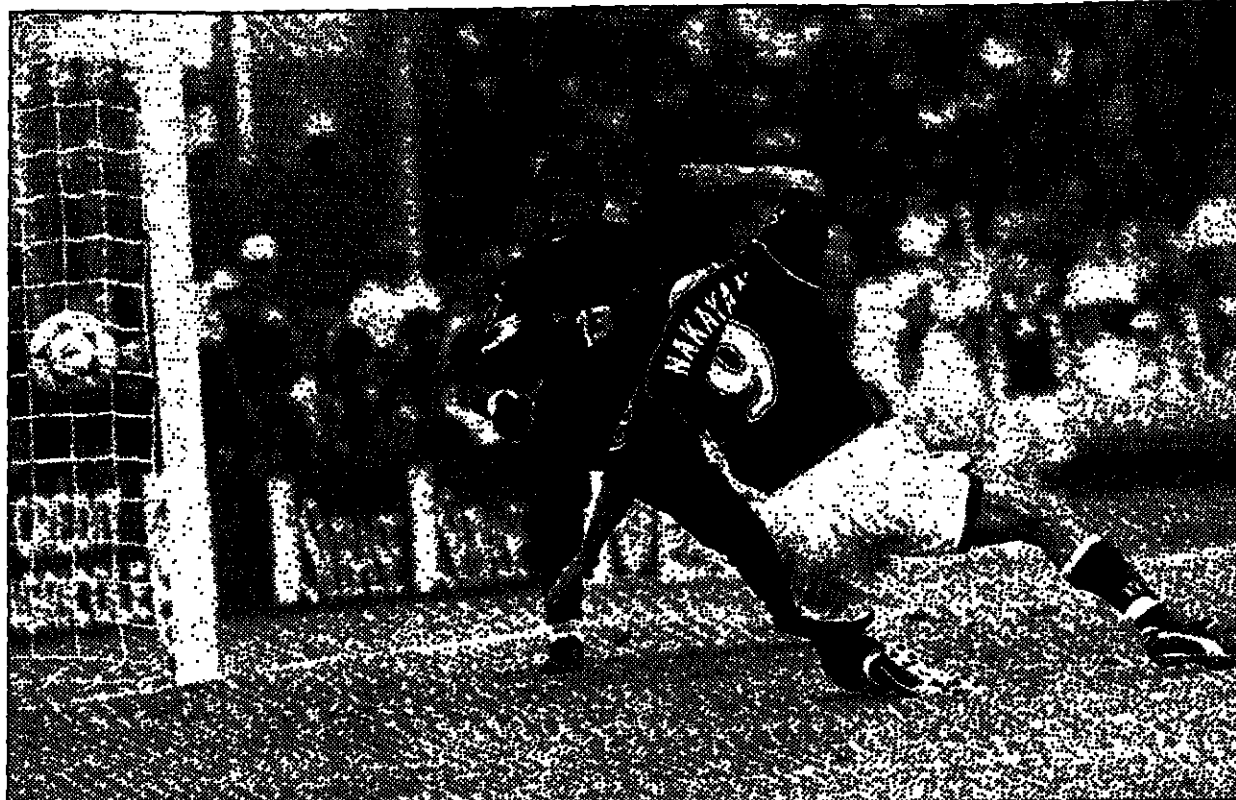
The utility, known as CPFL, said Thursday that consumption had plummeted from 2,580 megawatt hours to 1,929 megawatt hours between 10:45 A.M. and 1 P.M. on June 10, when Brazil was playing Scotland in the World Cup opener in Saint Denis, France.

At halftime, energy consumption rose by 40 megawatt hours, but quickly dropped back when the second half started. It rose again after the game ended.

The pattern was repeated on July 16 and 23, when Brazil played Morocco and Norway, the power company said.

Brazil comes to a virtual standstill during World Cup matches, as offices clear out early, factories stop, shops close and streets are emptied.

(Reuters)



Masashi Nakayama shooting past Jamaica's Aaron Lawrence for Japan's first-ever World Cup goal on Friday.

First Victory Is Jamaica's Last Word

LYON — Jamaica won its first-ever World Cup match on Friday, with Theodore Whitmore scoring twice to secure a 2-1 victory over Japan.

In a farewell battle of tournament newcomers who were already eliminated from second-round competition, Whitmore scored in the 40th and 54th minutes in the first World Cup victory by a Caribbean nation since Cuba beat Romania, 2-1, in 1938, also in France.

The loss ended a hard-luck tournament for Japan, the 2002 World Cup co-host, which proved in its three games that it can do everything except score. Once again, the Japanese play on defense and in midfield was competent and sometimes masterful.

But the team lacked a quality striker to finish off the chances and left France with only one goal in three matches — Masashi Nakayama's strike in the 74th minute.

Coach Takeshi Okada took the blame for Japan's dismal performance and immediately resigned on Friday.

"I will quit as professional coach,"

JAMAICA 2, JAPAN 1

he said. "When a coach fails to achieve what he sets out to do, he should quit. It is my responsibility. I was not able to draw the best out of the players in this match."

Whitmore opened the scoring by capitalizing when his teammate Stephen Malcolm and the Japanese defender Yutaka Akita collided while trying to play the ball in the penalty area. Whitmore then drove his 12-meter shot past the defender Naoki Soma and to the right of Japan's goalkeeper, Yoshikatsu Kawaguchi.

Whitmore added his second when the Japanese defense gave him space to take Fitzroy Simpson's pass down the right

wing. The midfielder spun the defender Norio Omura around and nailed a left-footed drive.

Japan hit the post and forced Jamaica's goalkeeper, Aaron Lawrence, to make several solid saves in the second half. The Japanese finally broke through when Naoki Soma's long ball was headed by Wagner Lopes to Nakayama, whose shot from 8 meters easily beat Lawrence.

Jamaica was content to play a long-ball strategy in the early minutes, then stepped up the attack when the Japanese grew frustrated.

Whitmore's second goal came immediately after a missed Japanese scoring opportunity, when its deflated defenders were caught off guard.

Jamaica had a goal disallowed in the 15th minute when Ian Goodison, who headed in a corner kick from Simpson, was apparently cited for pushing by the Austrian referee, Gunter Benko.

Argentina and Its Defense Stay Perfect

BORDEAUX — Argentina kept a perfect World Cup record Friday, beating Croatia 1-0 to win Group H, and the South Americans' stifling defense remained the only one not to concede a goal in the first round.

And a defender made the difference up front, too. In the 36th minute, a deep pass from Daniel Ortega was deflected into the path of the defender Hector Pineda on the left. With the Croatian defense swarming, Pineda took his time to put the ball past Drazen Ladic.

Both teams were already assured of advancing to the second round, so only first place in the group was at stake.

The best chance in the lackluster Croatian performance came in the 63d minute when the substitute Goran Vlaovic unleashed a 27-meter drive that crashed into the post, with the goalkeeper Carlos Roa well beaten.

For most of the match, Argentina provided the action. On the stroke of halftime, Marcelo Gallardo almost added a second goal, when he hit a free kick into the wall and was allowed to line up the rebound from 12 meters, forcing a save from Ladic.

In the 71st minute, the defender Roberto

ARGENTINA 1, CROATIA 0

Ayala slalomed through the Croatian defense and his curling right-foot shot went just on the wrong side of the post.

Gabriel Batistuta, the joint top scorer in the competition with four goals, had a mediocre game and he was easily held in check by the Croatian defense.

Croatia's Davor Suker was limited to a long-range header, but little else.

Croatia was forced to commit several fouls to keep the South Americans at bay. In the 21st minute, the Croatian

defender Slaven Bilic was given a yellow card for pulling down Batistuta close to the penalty area.

Two minutes later, Ortega committed a similar foul in the midfield on Dario Simic and was given a yellow card. Argentina's Ayala got a yellow card for a late tackle on Aljosa Asanovic in the 35th minute.

And in the 44th minute, Zvonimir Soldo got one for a body check on Ortega, which means he will be suspended for the second-round game.

At the beginning of the second half, Zvonimir Boban, the captain, got a yellow card for a late tackle on the midfielder Juan Veron. And in the 59th minute, Robert Jarni got yet another for protesting a referee's decision.

Croatia was boosted by the return of Boban, who sat out the Japan game with a pulled leg muscle. After routing Jamaica 5-0 and defeating Japan 1-0, Argentina needed only a draw to finish atop the group.

30 England Fans Are Held After Clashes With Police

Compiled by Our Staff From Dispatches

LENS, France — At least 30 English soccer fans were arrested Friday after clashes with riot policemen outside Felix Bollaert stadium here before the World Cup match between England and Colombia, the police said.

In nearby Lille, about 30 people were detained after fights broke out between English fans and locals when bars closed, officials said. More than 10,000 England fans gathered in Lille before the match.

The French television channel LCI said the majority of those detained were English fans, including some known hooligans. Four people in Lille, including a taxi driver, were slightly injured, the reports said.

About 30 English fans were seen fighting among themselves in a central square in Lille before being dispersed by the police. No arrests or serious injuries were reported.

Riot policemen closed down several bars where English fans were gathering and throwing beer cans and glasses at bystanders of North African origin.

Thousands of fans poured into the small northern town of Lens, and some threw bottles at police in several incidents as tension rose in the build-up to the crucial game for England.

Police charged supporters after bottles were thrown in the area around the central train station. One England

fan was injured after he was hit in the neck by a bottle, witnesses said.

Two young Frenchmen were later arrested for provocation.

At least 20,000 English fans, more than half without tickets, were expected for the match, which was placed under heavy security after violence involving German and English hooligans earlier in the tournament.

Bars, restaurants and shops in Lens were banned from selling alcohol from Friday morning to Saturday morning. In Lille, alcohol sales were allowed only until 10 P.M.

In other disturbances, 52 soccer fans were taken into custody Thursday night for running amok in the North Sea port of Ostende, Belgium, after arriving by ferry. Fifty were to be deported Friday, while two others were to appear before an investigating judge.

Lens was the scene of rioting by German fans last Sunday. A French policeman who was hit in the head with an iron bar remains in a coma.

The French newspaper Le Monde on Thursday cited an intelligence memo as saying German extremists planned to travel to Lens "to combat the English enemy and try to gain the title of 'best hooligans of Europe.'"

Prince Charles and his son Prince Harry were to attend the England-Colombia match on Friday.

(Reuters, AP)

SOCCER: In Round 2, It's All or Nothing

Continued from Page 1

defenses and to strike with deceptive speed on the ground.

So the Italian players who parted into the early morning after qualifying for the second round had better be in a business mood at Stade Velodrome.

It is normal for Italy to start nervously and gather confidence as the tournament advances, but defensively it is vulnerable.

Alessandro Nesta, Italy's young center back, was the casualty of the first round, having torn ligaments in his right knee. His replacement, the veteran Giuseppe Bergomi, has been to three World Cups, so he knows what to do if he has the swiftness left to do it. But Nesta is the third defender that Italy has lost through injury, after the goalkeeper Angelo Peruzzi and the defensive strong man Ciro Ferrara.

With a midfield that is industrious rather than imaginative, Italy probes and awaits inspiration from Alessandro Del Piero or Roberto Baggio, and the finishing power of Christian Vieri.

Like Italy, which Brazil beat on penalty kicks to win the last World Cup, in 1994, there is always a sense of the Brazilians slowly finding the pace of their game. There has been little samba so far, only a glimpse or two of Ronaldo's majestic might and a suspicion that Brazil without the injured Romario lacks a player of cunning and leaves too much on Ronaldo's willing, but still youthful, shoulders.

Nevertheless, Chile has been made to play aggressively to stay in the contest, and must find replacements in midfield for the suspended Francisco Rojas, Nelson Parraguez and Moises Villarroel.

On Sunday, the "Marseillaise" will ring out again as France meets, and will surely defeat, Paraguay in Lens. With

three victories in three matches, Les Bleus have aroused feelings for the game that have been latent too long in the host country. Even without Zinedine Zidane, the most gifted Frenchman, who will be serving the second part of a two-match suspension, France ought to pick the right lock of the Paraguayan defense.

Nigeria's pace and power, which is why Spain has retreated painfully home to face its angry supporters, needs to remain concentrated on Sunday and not become arrogantly over-confident against Denmark. The Laudrup brothers and the goalkeeper Peter Schmeichel are possibly the only ones close to the status of Great Danes. Nigeria has so much ability and spirit that this should be Africa's route to the quarterfinals in a tournament that otherwise has swept out the rest of the continent and the whole of Asia, too.

On Monday, the Netherlands and Yugoslavia create a test of technique and temperament in Toulouse between two sides that pass the ball as elegantly as any and whose movement is artistic.

Germany, finding form as it always does when the contest is most exacting, is back to the future with the veterans Lothar Matthaus and Jurgen Klinsmann, remnants of the 1990 World Cup champion. They had better watch Mexico on Monday, because the spirit has moved this team to come from behind in all three group matches, saving causes that lesser competitors would have surrendered.

Last, but never least at World Cups, is Argentina. Its victory by the only goal of a game against Croatia on Friday confirmed that it has the solid toughness of defense, the trustworthiness of Gabriel Batistuta and the combination of youth and experience to ignite another challenge for the ultimate trophy in world sports.

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Second-Round Rivals to Reckon With Some Ghosts of Games Past

Compiled by Our Staff From Dispatches

Soccer history looms over the first two second-round matches Saturday, as old adversaries meet with a place in the quarterfinals at stake and some scores to settle.

Italy vs. Norway, Marseille, Saturday, 4:30 P.M. Four years ago in New Jersey, Italy and Norway met in the final match in the group stage. Italy needed to victory to advance. Norway needed only a draw. The Italian goalkeeper, Gianluca Pagliuca, was sent off after 21 minutes, but Italy, playing with 10 men, won and went on to reach the final.

The defender Giuseppe Bergomi, who will replace the injured Alessandro Nesta, was sent off in Italy's 2-1 defeat in Oslo in the qualifiers for the 1992 European championship. That loss cost the Italians a place in the tournament.

Nesta's absence could cause a problem. He would have been the natural candidate to

mark Tore Andre Flo, Norway's towering but nimble striker. Cesare Maldini, the Italian coach, must choose between the less mobile Bergomi or Captain Paolo Maldini, who normally plays in a wider position.

Maldini has not said whether he will start Roberto Baggio or Alessandro Del Piero in attack alongside Christian Vieri, joint top scorer in the competition.

Brazil vs. Chile, Paris, Saturday, 9 P.M. The last time these teams met in World Cup competition was in Rio de Janeiro in 1989, when the Chilean team walked off in the second half after a firecracker thrown from the crowd landed near the Chilean goalkeeper, Roberto Rojas.

FIFA judged that Rojas had feigned injury, banning him for life and Chile from the 1994 World Cup qualifying competition.

This game, between two teams known for their strong attacks and suspect de-

fenses, is potentially one of the most exciting of the tournament.

Chile has Ivan Zamorano and Marcelo Salas, while Brazil fields Ronaldo. Salas has three goals so far, but Ronaldo has

WEEKEND MATCHES

only one and Zamorano, his Inter Milan teammate, has yet to score.

Brazil's coach, Mario Zagallo, said that the defensive midfielder Cesar Sampaio, who was suspended for the Norway game, would return. Aldair, who missed the Norway game to avoid the risk of a second yellow card, will also be back to partner Junior Baiano in defense.

Denilson will make way for Cesar Sampaio unless Bebeto, who was hurt in practice on Thursday, fails to recover in time. The Chileans have to replace three play-

ers who are suspended for picking up two yellow cards: the right-back Moises Villarroel, the left-back Francisco Rojas and the defensive midfielder Nelson Parraguez.

Coach Nelson Acosta is expected to replace Villarroel with Fernando Comejo, Rojas with Mauricio Amos and Parraguez with either Miguel Ramirez or Luis Musari.

France vs. Paraguay, Lens, Sunday, 4:30 P.M. Paraguay and France have met only once before, in the 1958 World Cup in Sweden, when Just Fontaine scored a hat-trick in a 7-3 French victory.

France won all of its group matches; Paraguay is unbeaten and conceded only one goal. France meets a side that, apart from Jose Luis Chilavert, has no real star and is greater than the sum of its individual parts, with teamwork its hallmark. It also has no problems with injuries or suspensions.

Zinedine Zidane, the French midfield

star, is still suspended and the striker Christophe Dugarry is injured. Aime Jacquet, the French coach, must decide whether to play Bernard Diomede, impressive against Denmark, or Robert Pires in midfield or both.

Nigeria vs. Denmark, Saint Denis, Sunday, 9 P.M. The impressive Nigerians have, in patches, played the best soccer of the tournament, while the Danes, in spite of occasional flashes from the Laudrup brothers, have disappointed. But at one crucial position the Danes have an advantage: goalkeeper. Peter Rufai, the Nigerian keeper, has looked shaky and has been reluctant to jump to gather crosses and corners, an area in which Peter Schmeichel of Denmark excels.

Nigeria may be without the striker Daniel Amokachi, who started the early matches but is injured. The Danes will be without Miklos Molnar, who is suspended.

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WORLD CUP

# Feuding and Unhappy, The Yanks Go Home

## Somehow, the World Cup Will Continue

By George Vecsey  
New York Times Service

NANTES, France — Say good-bye to the American World Cup team. It was to soccer what American cheese is to food: bland, formless, ultimately harmless.

They disappeared into history Thursday night with a 1-0 loss to Yugoslavia, which is no shame, because Yugoslavia has the firepower of a semifinalist team.

However, the Americans had already identified themselves as mushy in previous losses to Germany and Iran.

The team had little in common with the team that qualified from a grueling two-year tournament in the Americas. That team was dismantled by the coach, Steve Sampson, in recent weeks.

Sampson's reward for such last-minute tinkering will surely be his freedom to seek new challenges in the wonderful world of work. The officials of the U.S. Soccer Federation called a press conference in the wee hours Friday to insist that Sampson had not been dismissed, but that a decision would be made within 30 days.

Sampson's departure will come too late for the cadre of veterans who held the team together for much of this decade but were discarded in recent months.

In recent days, Alexi Lalas made grumpy remarks about the demise of the team. To combat the mutterings, Alan Rothenberg, president of the federation, addressed the players Wednesday. He said there was no threat involved: "I just told them to think about what you say. Don't say anything you might re-

gret." But in the land of *liberté, fraternité, égalité*, a few of the lads felt they had the freedom to say a few words after the game.

"We'll all get older, and we'll all have scrapbooks," said Lalas. "I'm satisfied with myself, even though I didn't play a minute here. I'll be satisfied with my scrapbook. I'm comfortable that I have the respect. Steve has to be satisfied with his scrapbook."

"For one reason or another, this whole thing was a shambles," said veteran Tab Ramos, who noted that 17 players saw action in the first two games, and "everybody felt he should play."

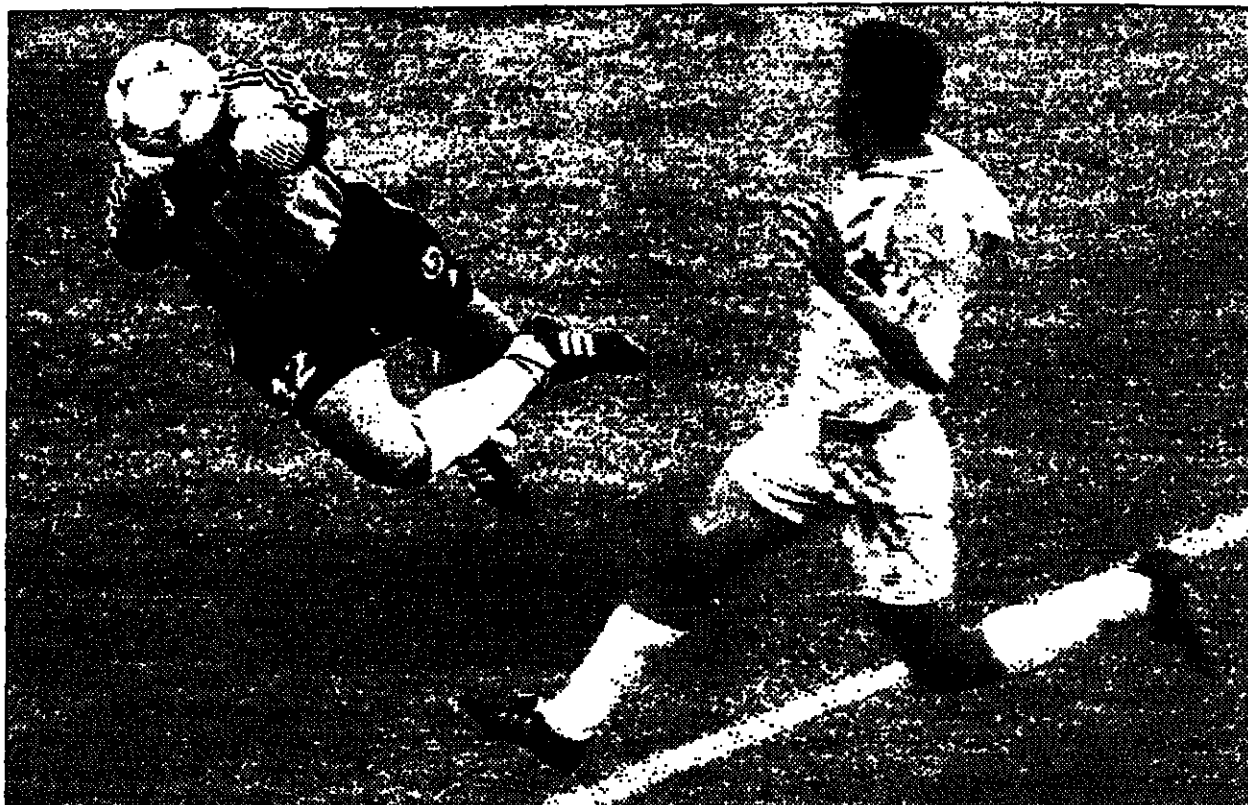
Rothenberg and his associates talked up the future of U.S. soccer. Sunil Gulati, vice president of the federation, said the United States used to have a pool of 20 players but now has 100 good players available.

Rothenberg said that even though the United States had reached the second round in 1994, this year's three-and-out performance was in some ways an improvement. He must have been watching Nigeria or Mexico. The U.S. team basically could not pass or shoot.

But the lads did qualify for France, which allowed hundreds of Americans to wander around this lovely Loire estuary town, eating crustaceans and wearing their Sam's army T-shirts.

Some of the lads take a brief vacation before their European clubs start again. Others will play for their Major League Soccer teams as soon as Saturday.

In the meantime, there are more crustaceans in Nantes, and 16 good soccer teams start the second round Saturday. Oddly enough, without the Yanks, the world keeps spinning.



Romania's goalkeeper, Bogdan Stelea, making a diving save Friday as Zoubeir Baya of Tunisia races past.

# Romania Takes Top Spot in Group G

Reuters

PARIS — Romania, already sure of a World Cup second-round place, clinched the top spot in Group G after Viorel Moldovan, a substitute striker, scored a late goal for a 1-1 draw Friday with Tunisia.

Romania now plays Croatia on Tuesday in Bordeaux.

Moldovan hit his goal in the 72d minute, after coming on the field just five minutes earlier.

The Romanians had dyed their hair yellow, one of the colors of the national

flag, to celebrate their success in securing a place in the round of 16 teams. Coach Anghel Iordanescu had reportedly promised to shave his head if they won the group.

They made five changes to their starting lineup, missing suspended defender Iulian Filipescu but resting a number of other key players, including strikers Adrian Ilie and Moldovan.

But any hopes of a stroll on a warm evening in Paris were quickly dashed. Tunisia, backed by noisy support in the Stade de France, scored its first goal of

the tournament after 10 minutes.

The Romanian defender, Christian Dulca, wrestled striker Adel Sellimi to the ground, and Skander Souayah converted the resulting penalty.

The speedy Tunisian attackers constantly threatened the Romanian defense in the first half.

Tunisia had fired its coach, Henryk Casperczak, earlier in the week, placing Ali Selmi in temporary charge, and the team's spirited performance was a great improvement on earlier losses to England and Colombia.

# England Soars Past Colombia, Into Round 2

Reuters

LENS, France — England, revitalized by the midfielder David Beckham and the striker Michael Owen, swagged into the second round of the World Cup with an impressive 2-0 victory over Colombia on Friday.

First-half goals by Darren Anderton and Beckham put England firmly in charge and helped ease them through their final Group G match.

Colombia was eliminated from the tournament after its second defeat. England finished in second place in the group, behind Romania, which played to a 1-1 draw with Tunisia on Friday.

The two scorers had started the World Cup competing for the same wide-field position. But they worked perfectly in tandem as Anderton hit his first England goal since May 1996 and Beckham his first ever.

Anderton struck the first goal after 20 minutes when he collected a poor headed clearance by Jorge Bermudez, from a Gary Neville cross, and hit a rising shot inside the near post from a narrow angle.

This strike was equalled, if not surpassed, by Beckham's goal. Taking a free-kick 25 meters out, after Leider Preciado had fouled Paul Ince, Beckham produced an arcing shot that cleared the wall and dipped inside Farid Mondragon's right post.

The English team put its disappointing 2-1 loss to Romania firmly behind it as the Colombians rarely got close to David Seaman's goal.

# WORLD CUP SCOREBOARD

## FIRST ROUND

GROUP A	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Paraguay	1	1	0	3	2	3
South Africa	1	1	1	3	4	3
Yugoslavia	0	2	1	2	3	2

GROUP B	W	T	L	GF	GA	Pts
Italy	2	0	0	4	2	6
Chile	1	1	0	3	2	3
Austria	0	2	1	3	4	2
Cameroon	0	2	1	2	3	2

GROUP C	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Denmark	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

GROUP D	W	T	L	GF	GA	Pts
Nigeria	2	0	0	5	2	6
Paraguay	1	1	0	3	2	3
Spain	1	1	1	3	4	3
Bulgaria	0	2	1	2	3	2

GROUP E	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Germany	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

GROUP F	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Germany	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

GROUP G	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Germany	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

GROUP H	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Germany	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

GROUP I	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Germany	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

GROUP J	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Germany	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

GROUP K	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Germany	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

## SECOND ROUND

GROUP A	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Paraguay	1	1	0	3	2	3
South Africa	1	1	1	3	4	3
Yugoslavia	0	2	1	2	3	2

GROUP B	W	T	L	GF	GA	Pts
Italy	2	0	0	4	2	6
Chile	1	1	0	3	2	3
Austria	0	2	1	3	4	2
Cameroon	0	2	1	2	3	2

GROUP C	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Denmark	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

GROUP D	W	T	L	GF	GA	Pts
Nigeria	2	0	0	5	2	6
Paraguay	1	1	0	3	2	3
Spain	1	1	1	3	4	3
Bulgaria	0	2	1	2	3	2

GROUP E	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Germany	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

GROUP F	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Germany	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

GROUP G	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Germany	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

GROUP H	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Germany	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

GROUP I	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Germany	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

GROUP J	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Germany	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

GROUP K	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Germany	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

## THIRD ROUND

GROUP A	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Paraguay	1	1	0	3	2	3
South Africa	1	1	1	3	4	3
Yugoslavia	0	2	1	2	3	2

GROUP B	W	T	L	GF	GA	Pts
Italy	2	0	0	4	2	6
Chile	1	1	0	3	2	3
Austria	0	2	1	3	4	2
Cameroon	0	2	1	2	3	2

GROUP C	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Denmark	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

GROUP D	W	T	L	GF	GA	Pts
Nigeria	2	0	0	5	2	6
Paraguay	1	1	0	3	2	3
Spain	1	1	1	3	4	3
Bulgaria	0	2	1	2	3	2

GROUP E	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Germany	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

GROUP F	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Germany	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

GROUP G	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Germany	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

GROUP H	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Germany	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

GROUP I	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Germany	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

GROUP J	W	T	L	GF	GA	Pts
France	2	0	0	5	3	6
Germany	1	1	0	3	2	3
South Africa	0	2	1	3	4	2
Saudi Arabia	0	1	2	2	7	1

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## *A No-Scunge Holiday*

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**By Michael Kimmelman**  
*New York Times Service*

4. Besides, the Guggenheim under Thomas Krens to the consternation of many



So we take this show seriously at a certain

takable drone of the Vespa's engine, like a throaty laugh. I recall the famous 1953 photograph by Mario De Biasi of a woman striding toward a group of goggle-eyed Italian men. The man nearest to her sits on (what else?) a Vespa. To anyone who really knows motorcycles, it's probably one of the least exciting bikes in the show. But I don't care.

**"CHIPS"** will be back on patrol this fall. Erik Estrada and Larry Wilcox will return as California Highway Patrol officers Frank (Ponch) Poncherello and Jon Baker in the movie set for October on the cable channel TNT. The original NBC series ran from 1977-83 and shows in reruns on TNT.



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